

BOROUGH OF QUEENSCLIFFE
STANDARD STATEMENTS

For the Year Ended 30 June 2012

**NOTES TO THE STANDARD STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Notes to the Standard Statements

1. Basis of preparation of Standard Statements

Council is required to prepare and include audited Standard Statements within its Annual Report. Four Statements are required - a Standard Statement of Financial Performance, Standard Statement of Financial Position, Standard Statement of Cash Flows and a Standard Statement of Capital Works, together with explanatory notes.

Council has included a further standard statement, reflecting the additional standard statement included within the 2011/12 budget adopted by Council on 15 June 2011 - a Standard Statement of Investment Reserves.

The above set of five standard statements and supporting notes form a special purpose financial report prepared to meet the requirements of the Local Government Act 1989 and Local Government (Finance and Reporting) Regulations 2004.

The Standard Statements have been prepared on accounting bases consistent with those used for General Purpose Financial Statements and the Budget. The result reported in these statements are consistent with those reported in the General Purpose Financial Statements.

The Standard Statements are not a substitute for the General Purpose Financial Statements, which are included on pages 1 to 6 of the Finance Section of the Annual Report. They have not been prepared in accordance with all Australian Accounting Standards or other authoritative professional pronouncements.

The Standard Statements compare council's financial plan, expressed through its budget, with actual performance. The Local Government Act 1989 requires explanation of any material variances. The Council has adopted a materiality threshold of ten per cent. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures included in the Statements are those adopted by Council on 15 June 2011. The budget was based on assumptions that were relevant at the time of adoption of the budget. The Council set guidelines and parameters for revenue and expense targets in this budget in order to meet council's business plan and financial performance targets for both the short and long term. The budget did not reflect any changes to equity resulting from assets revaluations, as their impacts were not considered predictable.

Detailed information on the actual financial results are contained in the General Purpose Financial Statements on pages 1 to 6. The detailed budget can be obtained by contacting council or through the council's website. The Standard Statements must be read with reference to these documents.

Standard Statements
For the Year Ending 30 June 2012

STANDARD STATEMENT OF FINANCIAL PERFORMANCE - COMPARISON REPORT

	Budget 2012 \$'000	Variances		Note	Actuals 2012 \$'000
		\$'000	%		
REVENUES					
<i>Operating revenue</i>					
Rates and charges	5,343	14	0%		5,357
Statutory fees & fines	111	(23)	-21%	1	88
User Charges	1,671	259	15%	2	1,930
Grants - Operating	635	315	50%	3	950
Grants - Capital	654	861	132%	4	1,515
Capital Contributions	-	26	100%	5	26
Contributions - Operating	-	-	0%		-
Reimbursements	54	(54)	-100%	6	-
Interest received	88	97	110%	7	185
Other Income	131	(91)	-69%	8	40
TOTAL OPERATING REVENUE	8,685	1,407	16%		10,092
EXPENSES					
<i>Operating expenses</i>					
Employee benefits	2,916	49	2%		2,867
Materials & Services	3,633	(19)	-1%	9	3,652
Bad and doubtful debts	2	(4)	-191%		6
Depreciation	709	(90)	-13%	10	799
Interest expense	107	15	14%	11	92
Other expenses	324	(15)	-5%		339
TOTAL OPERATING EXPENSES	7,690	(65)	-1%		7,755
OPERATING RESULT	995	1,342	135%		2,337
<i>Non-operating income and expenditure</i>					
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(5)	(11)	211%		(16)
Increase in Unfunded Superannuation Liability	-	(218)	100%	12	(218)
Share of net profits of associates and joint ventures accounted for by the equity method	-	(30)	100%		(30)
SURPLUS / (DEFICIT)	990	1,083	109%		2,073
Net asset revaluation increment (decrement) on infrastructure	-	4,284	100%	13	4,284
COMPREHENSIVE RESULT	990	5,367	542%		6,357
<i>Adjustments to remove unmatched Capital income and other abnormals</i>					
minus Capital Income	(654)	(887)	136%		(1,541)
minus other abnormals and Library share	5	(4,025)	-80508%		(4,020)
<i>Adjustments to match grant funding to year of expenditure</i>					
operating grants from prior years expended in the current year	-	71	100%		71
operating grants received in the current year not spent by year end	-	(245)	100%		(245)
UNDERLYING OPERATING SURPLUS / (DEFICIT)	341	280	82%		621

Standard Statements

For the Year Ending 30 June 2012

STANDARD STATEMENT OF FINANCIAL PERFORMANCE - VARIANCE EXPLANATION REPORT

Note	Item	Explanation
1	Statutory fees & fines	Reduction in parking infringement income is the direct result of increased law enforcement, particularly in the vicinity of the boat ramp (for which additional car parking income has been received and is reflected in user charges below).
2	User Charges	Additional caravan park income as a result of the review and restructure of fees charged in line with market price. The additional two cabins in the recreation reserve have also contributed to total caravan park income above level budgeted (\$150,000). Lease income budgeted as "other income" and now included as user charges (\$100,000). Additional boat ramp parking income reflects increased law enforcement presence (\$17,000).
3	Grants - Operating	Victorian Grants Commission prepayment of first two quarters 2012/13 funding (\$145,000) with some increase above level budgeted (\$30,000). Grants received in the 2011/12 year, not budgeted, include: Coastal tender (\$76,000), Sustainability accord (\$20,000), Regional Victoria living expo (\$20,000), Music equipment (\$12,000) and Kindergarten planning (\$10,000).
4	Grants - Capital	Funding from the Country Roads & Bridges grant program, not budgeted, was \$1,000,000 (note this funding is \$1,000,000 per year for the four period 2011/12 - 2014/15).
5	Capital Contributions	Community contribution of \$26,000 received toward the Queenscliff sports club enhancement project.
6	Reimbursements	One long-term workcover claim ceased during 2011/12.
7	Interest received	High cash balances maintained throughout the year, resulting in additional interest income. The high cash balances are mainly due to operating and capital projects incomplete by year end and carried forward for completion in future years.
8	Other Income	Lease income budgeted as other income but now reported as user charges above (\$100,000).
9	Materials & Services	Whilst there is no real variance from budget in total, a number of items are worthy of comment. Some projects where expenditure was budgeted to occur in 2011/12 will not be completed until future years. These include: cliff safety project (\$210,000), contribution to the Queenscliff railway station toilet upgrade (\$40,000) and review of the planning scheme (\$37,000). This is offset in part by expenditure that occurred in 2011/12 but where the matching grant funding was received in prior years. (grants funding from prior years = \$71,000). Expenditure included at this item also included projects unbudgeted but where operating grants were received in the 2011/12 year. (\$70,000). Some savings in employee benefits during 2011/12 are offset by staff vacancies being filled by contractors (\$64,000). Additional legislation requirements in powerline tree clearance have resulted in expenditure above the level budgeted (\$38,000). The Councillor Conduct Panel costs were also not budgeted (\$38,000).
10	Depreciation	Increase in depreciation expense reflects revaluation of assets. Building and drainage assets were revalued in 2011/12.
11	Interest expense	Interest lower than budget due to variable rate on loans being lower than previous fixed interest rate (reviewed at least every three years to determine rate on loans).
12	Increase in Unfunded Superannuation Liability	The additional call on the Defined Benefit Superannuation Fund was not budgeted. Until recently, advice indicated that the expense would not be brought to account until the call was announced which would be in the 2012/13 financial year.
13	Net asset revaluation increment (decrement) on infrastructure	Revaluation increments are not budgeted, as results are not known at the time of setting the budget. Land, including land under roads, buildings including cabins and drainage assets were all revalued in 2011/12 and applied effective 30/06/12.

Standard Statements

As at 30 June 2012

STANDARD STATEMENT OF FINANCIAL POSITION - COMPARISON REPORT

	Budget 2012 \$'000	Variances		Note	Actuals 2012 \$'000
		\$'000	%		
ASSETS					
Current Assets					
Cash and cash equivalents	1,010	2,706	268%	1	3,716
Trade and other receivables	439	(9)	-2%		430
Inventories	7	(1)	-19%		6
Other assets	223	(65)	-29%	2	158
Total Current Assets	1,679	2,631	157%		4,310
Non-Current Assets					
Trade and other receivables	17	2	14%		19
Investments in associates accounted for using the equity method	271	(25)	-9%		246
Property, infrastructure, plant & equipment	58,156	7,829	13%	3	65,985
Total Non-Current Assets	58,444	7,806	13%		66,250
TOTAL ASSETS	60,123	10,437	17%		70,560
LIABILITIES					
Current liabilities					
Trade and other payables	796	136	17%	4	660
Trust funds and deposits	68	(0)	-1%		68
Provisions	432	(152)	-35%	5	584
Interest bearing loans and borrowings	1,228	142	12%		1,085
Total Current Liabilities	2,523	126	5%		2,397
Non-Current Liabilities					
Provisions	42	(222)	-529%	5	264
Total non-current liabilities	42	(222)	-529%		264
TOTAL LIABILITIES	2,565	(96)	-4%		2,661
NET ASSETS	57,560	10,340	18%		67,899
EQUITY					
Accumulated Surplus	31,649	(669)	-2%	7	30,980
Asset Revaluation reserve	25,568	8,698	34%	8	34,266
Discretionary Reserves	343	2,310	673%	9	2,653
TOTAL EQUITY	57,560	10,338	18%		67,899

Standard Statements

As at 30 June 2012

STANDARD STATEMENT OF FINANCIAL POSITION - VARIANCE EXPLANATION REPORT

Note	Item	Explanation
1	Cash and cash equivalents	Higher than budget, largely as a result of incomplete major projects and capital works which are carried forward into 2012/13 for completion. In addition, Country Roads & Bridges grant funding was not budgeted (\$1,000,000).
2	Other assets - current	Lower than budget, prepayment of insurance premiums not requested before 2011/12 ended, (as was the case with some policies in prior years). Insurance premiums were paid in July 2012, in line with invoice payment terms.
3	Property, plant & equipment, infrastructure	Higher than budget as a result of the asset revaluations conducted in 2011/12 for which amounts were not known at the time of setting the 2011/12 budget. Revaluations took place in relation to the following asset classes: land, including land under roads, buildings including cabins and drainage assets. The result on each asset class was a revaluation increment.
4	Trade and other payables	Lower than budget, due mainly to a number of projects carried forward for completion in future years.
5	Provisions - current and non current	Higher than budget, for both annual leave and long service provision. The increase in annual leave provision reflects the fact that not all staff used their four weeks entitlement during the financial year. The larger increase in employee provisions is in relation to long service leave, with staff transferring from other LGA's bringing their LSL accrual with them (note, this is accompanied by funding from the transferring LGA). The balance is the result of recent years staff appointments affecting the formula once they pass their three year tenure.
6	Interest bearing loans and borrowings - non current	Lower than budget, the result of delaying the new borrowings budgeted in 2011/12 (\$150,000). Given the continuing high cash balance, drawing down the new loan was to be deferred until the first quarter of the 2012/13 year (note a letter of approval for the new loan was obtained by 30 June 2012).
7	Accumulated surplus	Lower than budget, as a result of large balances being carried forward and held in reserves for completion of capital projects in the 2012/13 year.
8	Asset revaluation reserve	Revaluation of land including land under roads, buildings including cabins and drainage assets were undertaken, for which revaluation amounts were not known when the 2011/12 budget was prepared.
9	Discretionary reserves	Higher than budget as a result of works either not commenced or not completed. See Reserves Statement for details.

Standard Statements

For the Year Ending 30 June 2012

STANDARD STATEMENT OF CASH FLOWS - COMPARISON REPORT

	Budget 2012 \$'000	Variances		Note	Actuals 2012 \$'000
		\$'000	%		
Cash flows from operating activities					
<i>Receipts</i>					
Rates and Charges	5,338	(47)	-1%		5,291
User fees & fines	1,764	532	30%	1	2,296
Grants & cash contributions	1,289	1,205	93%	2	2,494
Interest	-	199	100%	3	199
Other receipts	272	(228)	-84%	4	44
Net GST (payments) / refunds	-	294	100%	5	294
	8,663	1,954	23%		10,617
<i>Payments</i>					
Payments to suppliers	(3,850)	(371)	10%	6	(4,221)
Payments to employees	(2,895)	217	-7%		(2,678)
Other payments	(326)	(19)	6%		(345)
	(7,071)	(173)	2%		(7,244)
Net cash provided by operating activities	1,593	1,780	112%		3,373
Cash flows from investing activities					
Payments for property, plant and equipment, infrastructure	(1,675)	(542)	32%	7	(2,217)
Proceeds from sale of assets	40	22	56%	8	62
Repayment of loans and advances	-	10	100%	9	10
Net cash used in investing activities	(1,635)	(510)	31%		(2,145)
Cash flows from financing activities					
Trust funds and deposits	-	1	0%		1
Interest expense	(107)	35	-33%	10	(72)
Proceeds from borrowings	150	(150)	0%		-
Repayment of borrowings	(344)	0	0%		(344)
Net cash provided by (used in) financing activities	(301)	(115)	38%		(416)
Net increase (decrease) in cash and cash equivalents	(344)	1,155	-336%		811
Cash and cash equivalents at beginning of period	1,354	1,551	115%		2,905
Cash and cash equivalents at end of year	1,010	2,706	268%		3,716

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For the Year Ending 30 June 2012

STANDARD STATEMENT OF CASH FLOWS - VARIANCE EXPLANATION REPORT

Note	Item	Explanation
1	User charges, statutory fees & fines	Additional caravan park income as a result of the review and restructure of fees charged in line with market price. The additional two cabins in the recreation reserve have also contributed to total caravan park income above level budgeted (\$150,000). Lease income budgeted as "other income" and now included as user charges (\$100,000). Additional boat ramp parking income reflects increased law enforcement presence (\$17,000).
2	Grants & cash contributions	Victorian Grants Commission prepayment of first two quarters 2012/13 funding (\$145,000) with some increase above level budgeted (\$30,000). Grants received in the 2011/12 year, not budgeted, include: Coastal tender (\$76,000), Sustainability accord (\$20,000), Regional Victoria living expo (\$20,000), Music equipment (\$12,000) and Kindergarten planning (\$10,000). Capital funding from the Country Roads & Bridges grant program, not budgeted, was \$1,000,000.
3	Interest	High cash balances maintained throughout the year, resulting in additional interest income. The high cash balances are mainly due to operating and capital projects incomplete by year end and carried forward for completion in future years.
4	Other receipts	Lease income budgeted as other income but now reported as user charges above (\$100,000).
5	Net GST (payments) / refunds	Previously budgeted as a net-off with payments to suppliers, now reported as a net refund on its own line under Income.
6	Payments to suppliers	Additional grant funded projects have resulted in payments in excess of Budget. Some of the additional spend relates to projects carried forward from 2010/11 and completed during 2011/12.
7	Payments for property, plant and equipment, infrastructure	Higher than budget due to a number of unbudgeted projects being funded during the year plus expenditure on items carried over from 2010/11.
8	Proceeds from sale of property, plant and equipment, infrastructure	Additional turnover of one of the motor vehicle fleet.
9	Repayment of loans and advances	Repayment of heritage loan back to council.
10	Finance costs	Savings in interest payable on Superannuation liability by paying off earlier than budgeted.

Standard Statements

For the Year Ending 30 June 2012

STANDARD STATEMENT OF CAPITAL WORKS - COMPARISON REPORT

Capital Works Areas	Budget 2012 \$'000	Variances		Note	Actuals 2012 \$'000
		\$'000	%		
Roads	595	200	34%	1	395
Footpaths, Kerb & Channel	-	(42)	100%	2	42
Drains	45	37	82%	3	8
Open space	177	(385)	-218%	4	562
Buildings	731	(107)	-15%	5	838
Plant, equipment & other	126	(220)	-175%	6	346
Total capital works	1,674	(518)	-31%		2,192
Represented by:					
Asset renewal and upgrade	1,572	(273)	-17%		1,845
New assets	102	(245)	-240%		347
Total capital works	1,674	(518)	-31%		2,192

Property, Infrastructure, Plant and Equipment Movement Reconciliation Worksheet

The movement between the previous year and the current year in property, infrastructure, plant and equipment as shown in the Balance Sheet links to the net of the following items:

Total capital works	1,674	518	31%		2,192
Depreciation & amortisation	(709)	(90)	13%		(799)
Written down value of assets sold	(45)	45	-100%		-
Asset revaluation increment	-	4,284	100%		4,284
Impairment losses recognised in profit or loss	-	(78)	100%		(78)
Net movement in property, infrastructure, plant and	919	4,683	510%		5,602

Standard Statements

For the Year Ending 30 June 2012

STANDARD STATEMENT OF CAPITAL WORKS - VARIANCE EXPLANATION REPORT

Note	Item	Explanation
1	Roads	Lower than budget as a result of some capital works projects being carried forward for completion in future years. This includes: Hesse Street revitalisation (\$102,000), Pedestrian crossing at Fellows & Grimes Roads (\$25,000) and the T.A.C. funded pedestrian & road safety strategy (\$10,000).
2	Footpaths, Kerb & Channel	This line item was not budgeted (previously included within roads or other), now separated out to reflect the asset classes included in Council's fixed asset register.
3	Drains	Lower than budget as a result of the rescheduling of some budgeted drainage and design works. The remaining balance has been carried forward and is held in reserve to meet these design and other renewal requirements in future years.
4	Open space	Higher than budget, largely as a result of projects for which Council received funding and this was carried forward and held in reserve in the 2010/11 year for completion in the 2011/12 year, including: Princess & Citizens Park development project (\$283,000) and the Point Lonsdale surf life saving and access ramp (\$121,000).
5	Buildings	Higher than budget, as a result of the Queenscliff sports club enhancement project, for which Council received funding and this was carried forward and held in reserve in the 2010/11 year and which has been expended during the 2011/12 year (note this project is continuing on into the 2012/13 year, with further grant funding and community contributions to be received and expended accordingly).
6	Plant, equipment & other	Higher than budget, largely as a result of three motor vehicles being replaced during 2011/12 (only two were budgeted) and one additional vehicle being purchased (not budgeted). Additional expenditure also took place with respect to information technology, including the replacement of two servers and the purchase of new I-Pads.

Standard Statements

For the Year Ending 30 June 2012

STANDARD STATEMENT OF INVESTMENT RESERVES - COMPARISON REPORT

Reserves	Budget 2012 \$'000	Variances		Note	Actuals 2012 \$'000
		\$'000	%		
Discretionary					
Crown land reserve	50	(50)	-100%	1	-
Asset replacement reserve	293	193	66%	2	486
Incomplete capital works	-	1,530	100%	3	1,530
Incomplete operating works	-	637	100%	4	637
Total discretionary reserves	343	2,310	0%		2,653
Total reserves	343	2,310	673%		2,653

Standard Statements

For the Year Ending 30 June 2012

STANDARD STATEMENT OF INVESTMENT RESERVES - VARIANCE EXPLANATION REPORT

Note	Item	Explanation
1	Crown land reserve	Council decision to end the separate reporting of a crown land reserve within the accounts of the Borough. Future reserve funding requirements in relation to crown land assets will be treated the same as for all other Council assets, that is to say that either the asset replacement reserve or carried forward operating and capital reserves will be used as appropriate.
2	Asset replacement reserve	Building renewal projects incomplete or not yet commenced at year end have had funds transferred to the Asset Renewal Reserve resulted in the closing balance finishing above budget. These include Council building renewal works (\$76,000) and foreshore asset renewal (\$80,000). Funds set aside in previous years for the Queenscliffe sports club enhancement project have now been used as Council's contribution to recent expenditure on this project (\$205,790).
3	Incomplete capital works	Council does not budget for carry forward works, as it is assumed that all budgets will be spent in the same year. However, funds have now been carried over into the incomplete capital works reserve at year-end, for completion in future years, some of which include: Country Roads & Bridges funding (\$799,000), Ferry to the pier (\$119,000 grant funding + \$89,000 Council contribution), Hesse Street revitalisation (\$101,000), Electrical points of supply at the Queenscliff Recreation Reserve Stage 1 (\$53,000) and Dog beach car park upgrade (\$50,000).
4	Incomplete operating works	Council does not budget for carry forward works, as it is assumed that all budgets will be spent in the same year. However, funds have now been carried over into the incomplete operating works reserve at year-end, for completion in future years, some of which include: Cliff safety (\$190,000 grant funding + \$20,000 Council contribution), Victoria Grants Commission (\$146,000), Coastal tender funding (\$76,000) and Significant tree register (\$50,000).

Standard Statements

For the Year Ending 30 June 2012

CERTIFICATION OF STANDARD STATEMENTS

In my opinion, the accompanying standard statements have been prepared on accounting bases consistent with the financial statements and in accordance with the Local Government Act 1989 and the Local Government (Finance and Reporting) Regulations 2007.

Ev Wuchatsch FCPA
Principal Accounting Officer
Date : 19 September 2012

In our opinion, the accompanying standard statements have been prepared on accounting bases consistent with the financial statements and in accordance with the Local Government act 1989 and the Local Government (Finance and Reporting) Regulations 2007.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the standard statements to be misleading or inaccurate.

We have been authorised by the Council, on 19 September 2012, to certify the standard statements in their final form.

Councillor Bob Merriman
Councillor
Date : 19 September 2012
Queenscliff

Councillor John Burgess
Councillor
Date : 19 September 2012
Queenscliff

Leonard Jenner
Chief Executive Officer
Date : 19 September 2012
Queenscliff