



AUDIT COMMITTEE MEETING

AGENDA

3 OCTOBER 2016

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**CITY OF GREATER GERALDTON**  
**AUDIT COMMITTEE MEETING**  
**ON TUESDAY 3 OCTOBER 2016 AT 3.30PM**  
**IN THE COMMITTEE MEETING ROOM – CIVIC CENTRE**

**A G E N D A**

**1. DECLARATION OF OPENING**

**2. ATTENDANCE**

Present:

Officers:

By Invitation:

Apologies:

Leave of Absence:

**3. CONFIRMATION OF PREVIOUS MINUTES**

Recommendation: That the minutes of the City of Greater Geraldton Audit Committee meeting held on 1 March 2016, as attached be accepted as a true and correct record of proceedings.

**4. AC043 2015/2016 AUDIT REPORT FOR THE CITY OF GREATER GERALDTON.**

**5. AC044 STATUS OF CITYS RISK MANAGEMENT AND COMPLIANCE ACTIVITIES**

**6. AC045 REVIEW OF COMPLIANCE – FINANCIAL MANAGEMENT SYSTEMS AUDIT -ACTIONS**

**7. AC046 AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL**

**8. MEETING CLOSURE**

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**4. AC043 2015/2016 AUDIT REPORT FOR THE CITY OF GREATER GERALDTON**

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|--|
| AC043 2015/2016 AUDIT REPORT FOR THE CITY OF GREATER GERALDTON |
|--|

|                               |   |
|-------------------------------|---|
| <b>AGENDA REFERENCE:</b>      | <b>D-16-58389</b>   |
| <b>AUTHOR:</b>                | <b>A van der Weij, Financial Accountant</b>                             |
| <b>EXECUTIVE:</b>             | <b>B Davis, Director Corporate &amp; Commercial Services</b>            |
| <b>DATE OF REPORT:</b>        | <b>20 September 2016</b>  |
| <b>FILE REFERENCE:</b>        | <b>FM/3/0003</b>  |
| <b>APPLICANT / PROPONENT:</b> | <b>City of Greater Geraldton</b>  |
| <b>ATTACHMENTS:</b>           | <b>A. 2015/2016 Financial Report<br/>B. 2015/2016 Management Letter</b> |

**EXECUTIVE SUMMARY:**

The purpose of this report is to present to the Audit Committee the audit report for the financial period ending 30 June 2016.

**EXECUTIVE RECOMMENDATION;**

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to:

1. ADOPT the Audit Report for the financial period ending 30 June 2016.
2. ENDORSE actions taken by staff to resolve any items identified in the audit reports; and
3. NOTE that for the annual financial report for the year ended 30 June 2016 the Auditor has provided an unqualified audit opinion.

**PROponent:**

The proponent is the City of Greater Geraldton.

**BACKGROUND:**

The interim audit was conducted by AMD Chartered Accountants from the 1 to the 4 of February 2016 and the final on-site audit from the 5 to the 8 of September 2016. At the conclusion of these audits, the Auditor issue two reports:

- An Independent Auditor's Report to the Ratepayers dated 19 September 2016.
- A Report to the Audit Committee dated 19 September 2016 on the key findings and analysis.

Attached is the report addressed to the Audit Committee by the Auditor. In this report, the auditor has noted:

- Four (4) year-end observations in the Appendix 1 – Auditor recommendations for the year ended 30 June 2016;

Management responses and improvement actions proposed or already implemented are noted in the attached reports.

A copy of the audited financial statements for 2015-16, is attached for the information of the Audit Committee.

The auditor will be in attendance at the Audit Committee meeting via a telephone link up.

### **ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:**

#### **Economic:**

There are no economic impacts.

#### **Social:**

There are no social impacts.

#### **Environmental:**

There are no environmental impacts.

#### **Cultural & Heritage:**

There are no cultural or heritage impacts.

### **RELEVANT PRECEDENTS:**

The Audit Committee reviewed the Annual Report 2014/2015 for the City of Greater Geraldton on 6 October 2015, AC038.

### **COMMUNITY/COUNCILLOR CONSULTATION:**

No community consultation has been undertaken. The annual financial report and audit certificate are included in the City's Annual Report, which will be presented to Council for adoption shortly, then released to the community. The annual report is subsequently presented to an annual electors meeting.

### **LEGISLATIVE/POLICY IMPLICATIONS:**

Part 7 Division 3 of the Local Government Act 1995, regulation 16 *Local Government (Audit) Regulations 1996*:

#### **16. *Audit committee, functions of***

*An audit committee —*

*(a) is to provide guidance and assistance to the local government —*

*(i) as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and*

*(ii) as to the development of a process to be used to select and appoint a person to be an auditor;*

*and*

*(b) may provide guidance and assistance to the local government as to —*

*(i) matters to be audited; and*

*(ii) the scope of audits; and*

*(iii) its functions under Part 6 of the Act; and*

*(iv) the carrying out of its functions relating to other audits and other matters related to financial management;*

**FINANCIAL AND RESOURCE IMPLICATIONS:**

There are no financial or resource implications.

**INTEGRATED PLANNING LINKS:**

|                   |  |
|-------------------|--|
| Title: Governance | Planning and Policy                                  |
| Strategy 5.2.7    | Ensuring efficient and effective delivery of service |

**REGIONAL OUTCOMES:**

There are no impacts to regional outcomes.

**RISK MANAGEMENT****ALTERNATIVE OPTIONS CONSIDERED**

There were no alternative options considered



# City of Greater Geraldton

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016



# City of Greater Geraldton

## General Purpose Financial Statements for the year ended 30 June 2016

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### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for City of Greater Geraldton.
  - (ii) All figures presented in these financial statements are presented in Australian Currency.
  - (iii) These financial statements were authorised for issue by the Council on 14/09/16. Council has the power to amend and reissue the financial statements.
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## City of Greater Geraldton

### General Purpose Financial Statements for the year ended 30 June 2016

*Local Government Act 1995*

*Local Government (Financial Management) Regulations 1996*

### Statement by Chief Executive Officer

The attached financial report of the City of Greater Geraldton being the annual financial report and supporting notes and other information for the financial year ended 30 June 2016 are in my opinion properly drawn up to present fairly the financial position of the City of Greater Geraldton at 30 June 2016 and the results of the operations for the financial year then ended in accordance with the *Australian Accounting Standards* and comply with the provisions of the *Local Government Act 1995* and the regulations under that Act.

Signed on the 16<sup>th</sup> day of September 2016



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Ken Diehm

**CHIEF EXECUTIVE OFFICER**

## City of Greater Geraldton

Statement of Comprehensive Income (by Nature or Type)  
for the year ended 30 June 2016

| \$ '000  | Notes | 2016<br>Actual      | 2016<br>Budget      | 2015<br>Actual      |
|--|-------|---------------------|---------------------|---------------------|
| <b>Revenue</b>   |       |                     |                     |                     |
| Rates  | 24(a) | 41,290,743          | 41,275,124          | 39,459,392          |
| Operating Grants, Subsidies & Contributions                                      | 30    | 6,701,460           | 9,178,676           | 13,674,952          |
| Fees & Charges   | 29    | 20,409,467          | 19,866,989          | 20,236,613          |
| Interest Earnings  | 2(a)  | 1,433,514           | 1,443,935           | 1,509,969           |
| Other Revenue  |       | 1,321,900           | 1,105,661           | 1,208,200           |
|  |       | <u>71,157,085</u>   | <u>72,870,385</u>   | <u>76,089,126</u>   |
| <b>Expenses</b>  |       |                     |                     |                     |
| Employee Costs   | 33    | (27,897,929)        | (28,238,387)        | (29,683,817)        |
| Materials & Contracts <sup>1)</sup>  |       | (22,903,740)        | (22,060,140)        | (19,596,208)        |
| Utilities  |       | (3,053,752)         | (3,295,420)         | (3,163,157)         |
| Depreciation & Amortisation  | 2(a)  | (22,567,669)        | (22,023,657)        | (18,218,207)        |
| Interest Expenses  | 2(a)  | (1,042,382)         | (1,109,443)         | (860,737)           |
| Insurance  |       | (778,377)           | (880,735)           | (858,882)           |
| Other Expenditure  |       | (2,041,636)         | (2,891,549)         | (2,232,289)         |
|  |       | <u>(80,285,485)</u> | <u>(80,499,331)</u> | <u>(74,613,299)</u> |
| <b>Operating Result from Continuing Operations</b>                               |       | <u>(9,128,400)</u>  | <u>(7,628,946)</u>  | <u>1,475,827</u>    |
| Non-Operating Grants, Subsidies & Contributions                                  | 30    | 11,600,846          | 19,689,063          | 6,036,624           |
| Fair Value Adjustments to financial assets at fair value through profit and loss | 2(a)  | 326,046             | 90,000              | (67,154)            |
| Impairment of Assets   | 8(b)  | -                   | -                   | (3,198,741)         |
| Profit on Asset Disposals  | 21    | 2,757               | 218,026             | 274,464             |
| Loss on Asset Disposal   | 21    | (215,455)           | (234,511)           | (169,398)           |
|  |       | <u>11,714,194</u>   | <u>19,762,578</u>   | <u>2,875,796</u>    |
| <b>Net Result - Surplus (Deficit)</b>  |       | <u>2,585,793</u>    | <u>12,133,632</u>   | <u>4,351,623</u>    |
| <b>Other Comprehensive Income</b>  |       |                     |                     |                     |
| Changes on revaluation of non-current assets                                     | 13    | 1,951,512           | 27,367,322          | 218,841,263         |
| <b>Total Other Comprehensive Income</b>  |       | <u>1,951,512</u>    | <u>27,367,322</u>   | <u>218,841,263</u>  |
| <b>Total Comprehensive Income</b>  |       | <u>4,537,305</u>    | <u>39,500,954</u>   | <u>223,192,886</u>  |

<sup>1)</sup> Materials and Contracts expenditure includes expenditure of \$ 5,005,503 which represents Main Roads WA (MWRA) agreed value for their asset component that is material to both CGG total expenditure (capital) and CGG determined asset value for construction of Abraham St Bridge. MRWA holds future responsibility for maintenance of the bridge structure as a MRWA asset with the City being responsible for the maintenance of the surface components of the bridge.

## City of Greater Geraldton

Statement of Comprehensive Income (by Program)  
for the year ended 30 June 2016

| \$ '000   | Notes | 2016<br>Actual      | 2016<br>Budget      | 2015<br>Actual      |
|---|-------|---------------------|---------------------|---------------------|
| <b>Revenue</b>  |       |                     |                     |                     |
| Governance  |       | 436,809             | 70,480              | 1,037,433           |
| General Purpose Funding                               |       | 46,024,466          | 48,866,455          | 50,232,856          |
| Law, Order, Public Safety                             |       | 669,482             | 889,101             | 659,748             |
| Health  |       | 58,704              | 56,000              | 53,751              |
| Education & Welfare                                   |       | 1,261,671           | 1,349,725           | 1,256,175           |
| Community Amenities                                   |       | 10,275,992          | 9,173,791           | 9,507,981           |
| Recreation & Culture                                  |       | 3,204,726           | 2,848,319           | 2,718,727           |
| Transport   |       | 6,944,710           | 6,956,141           | 7,779,304           |
| Economic Services                                     |       | 1,057,449           | 1,206,213           | 1,184,314           |
| Other Property & Services                             |       | 1,944,108           | 1,454,161           | 1,716,206           |
|   |       | <u>71,878,118</u>   | <u>72,870,386</u>   | <u>76,146,495</u>   |
| <b>Expenses (excl. Finance Costs)</b>                 |       |                     |                     |                     |
| Governance  |       | (13,126,807)        | (11,306,111)        | (13,303,688)        |
| General Purpose Funding                               |       | (763,159)           | (689,531)           | (982,744)           |
| Law, Order, Public Safety                             |       | (661,439)           | (1,101,333)         | (744,040)           |
| Health  |       | (103,114)           | (99,262)            | (110,182)           |
| Education & Welfare                                   |       | (2,213,469)         | (2,377,648)         | (2,502,117)         |
| Housing   |       | (132,691)           | (72,000)            | (127,112)           |
| Community Amenities                                   |       | (7,268,391)         | (8,009,120)         | (7,325,951)         |
| Recreation & Culture                                  |       | (12,807,341)        | (13,798,514)        | (13,951,693)        |
| Transport   |       | (30,181,973)        | (26,594,385)        | (20,745,604)        |
| Economic Services                                     |       | (3,743,796)         | (4,036,521)         | (3,295,714)         |
| Other Property & Services                             |       | (8,961,957)         | (11,305,464)        | (10,721,085)        |
|   |       | <u>(79,964,135)</u> | <u>(79,389,889)</u> | <u>(73,809,930)</u> |
| <b>Finance Costs</b>                                  |       |                     |                     |                     |
|   | 2(a)  |                     |                     |                     |
| Governance  |       | (29,238)            | (38,580)            | (33,352)            |
| Recreation & Culture                                  |       | (439,502)           | (511,240)           | (424,001)           |
| Transport   |       | (342,048)           | (458,857)           | (314,428)           |
| Economic Services                                     |       | (1,395)             | (1,886)             | (2,342)             |
| Other Property & Services                             |       | (230,200)           | (98,880)            | (86,614)            |
|   |       | <u>(1,042,383)</u>  | <u>(1,109,443)</u>  | <u>(860,737)</u>    |
| <b>Operating Result from Continuing Operations</b>    |       | <u>(9,128,400)</u>  | <u>(7,628,946)</u>  | <u>1,475,828</u>    |
| <b>Non-Operating Grants, Subsidies, Contributions</b> |       |                     |                     |                     |
| Governance  |       | 70,000              | -                   | -                   |
| Law, Order, Public Safety                             |       | 504,403             | -                   | 5,355               |
| Community Amenities                                   |       | -                   | -                   | 2,500               |
| Recreation & Culture                                  |       | 2,363,337           | 19,689,063          | 1,359,610           |
| Transport   |       | 7,595,243           | -                   | 1,469,159           |
| Economic Services                                     |       | 12,563              | -                   | -                   |
| Other Property & Services                             |       | 1,055,300           | -                   | 3,200,000           |
|   | 30    | <u>11,600,846</u>   | <u>19,689,063</u>   | <u>6,036,624</u>    |

## City of Greater Geraldton

Statement of Comprehensive Income (by Program) (continued)  
for the year ended 30 June 2016

| \$ '000   | Notes | 2016<br>Actual          | 2016<br>Budget           | 2015<br>Actual            |
|---|-------|-------------------------|--------------------------|---------------------------|
| <b>Profit/(Loss) on Disposal of Assets</b>  |       |                         |                          |                           |
| Other Property & Services   |       | (212,699)               | (16,485)                 | 105,066                   |
|   | 21    | <u>(212,699)</u>        | <u>(16,485)</u>          | <u>105,066</u>            |
| <b>Other Income</b>   |       |                         |                          |                           |
| Fair Value Adjustments to Financial Assets<br>at Fair Value through Profit & Loss | 2(a)  | 326,046                 | 90,000                   | (67,154)                  |
| Impairment of Assets  | 8(b)  | -                       | -                        | (3,198,741)               |
|   |       | <u>326,046</u>          | <u>90,000</u>            | <u>(3,265,895)</u>        |
| <b>Net Result - Surplus (Deficit)</b>   |       | <u><u>2,585,793</u></u> | <u><u>12,133,632</u></u> | <u><u>4,351,623</u></u>   |
| <b>Other Comprehensive Income</b>   |       |                         |                          |                           |
| Changes on revaluation of non-current assets                                      | 13    | 1,951,512               | 27,367,322               | 218,841,263               |
| <b>Total Comprehensive Income</b>   |       | <u><u>4,537,305</u></u> | <u><u>39,500,954</u></u> | <u><u>223,192,886</u></u> |

## City of Greater Geraldton

Statement of Financial Position  
as at 30 June 2016

| \$ '000                              | Notes | 2016<br>Actual            | 2015<br>Actual            |
|--------------------------------------|-------|---------------------------|---------------------------|
| <b>ASSETS</b>                        |       |                           |                           |
| <b>Current Assets</b>                |       |                           |                           |
| Cash and Cash Equivalents            | 3     | 38,100,578                | 32,801,983                |
| Investments                          | 4     | -                         | 266,241                   |
| Trade and Other Receivables          | 5     | 5,772,216                 | 5,869,226                 |
| Inventories                          | 6     | 459,643                   | 452,698                   |
| <b>Total Current Assets</b>          |       | <b><u>44,332,436</u></b>  | <b><u>39,390,148</u></b>  |
| <b>Non-Current Assets</b>            |       |                           |                           |
| Trade and Other Receivables          | 5     | 599,772                   | 609,115                   |
| Inventories                          | 6     | -                         | 7,206,673                 |
| Property, Plant and Equipment        | 7     | 207,447,278               | 190,952,562               |
| Infrastructure                       | 8     | 655,070,354               | 650,124,232               |
| <b>Total Non-Current Assets</b>      |       | <b><u>863,117,404</u></b> | <b><u>848,892,583</u></b> |
| <b>TOTAL ASSETS</b>                  | 19    | <b><u>907,449,840</u></b> | <b><u>888,282,731</u></b> |
| <b>LIABILITIES</b>                   |       |                           |                           |
| <b>Current Liabilities</b>           |       |                           |                           |
| Trade and Other Payables             | 9     | 27,078,812                | 17,952,279                |
| Borrowings                           | 10    | 3,748,422                 | 3,034,459                 |
| Provisions                           | 11    | 4,439,473                 | 4,665,886                 |
| <b>Total Current Liabilities</b>     |       | <b><u>35,266,706</u></b>  | <b><u>25,652,623</u></b>  |
| <b>Non-Current Liabilities</b>       |       |                           |                           |
| Borrowings                           | 10    | 24,151,530                | 19,093,956                |
| Provisions                           | 11    | 9,534,568                 | 9,576,421                 |
| <b>Total Non-Current Liabilities</b> |       | <b><u>33,686,098</u></b>  | <b><u>28,670,376</u></b>  |
| <b>TOTAL LIABILITIES</b>             |       | <b><u>68,952,804</u></b>  | <b><u>54,322,999</u></b>  |
| <b>Net Assets</b>                    |       | <b><u>838,497,036</u></b> | <b><u>833,959,732</u></b> |
| <b>EQUITY</b>                        |       |                           |                           |
| Retained Surplus                     |       | 321,447,119               | 312,372,156               |
| Reserves - Cash/Investment Backed    | 12    | 10,327,731                | 16,816,902                |
| Reserves - Asset Revaluation         | 13    | 506,722,186               | 504,770,674               |
| <b>Total Equity</b>                  |       | <b><u>838,497,036</u></b> | <b><u>833,959,732</u></b> |

## City of Greater Geraldton

Statement of Changes in Equity  
for the year ended 30 June 2016

| \$ '000                           | Notes | Reserves           |                          |                           | Total Equity       |
|-----------------------------------|-------|--------------------|--------------------------|---------------------------|--------------------|
|                                   |       | Retained Surplus   | Cash / Investment Backed | Asset Revaluation Reserve |                    |
| Balance as at 1 July 2014         |       | 308,581,431        | 16,256,003               | 285,929,412               | <b>610,766,846</b> |
| Net Result                        |       | 4,351,623          | -                        | -                         | <b>4,351,623</b>   |
| Total OCI / Asset Revaluation     | 13    | -                  | -                        | 218,841,263               | <b>218,841,263</b> |
| Reserve Transfers                 | 12    | (560,899)          | 560,899                  | -                         | -                  |
| <b>Balance as at 30 June 2015</b> |       | <b>312,372,156</b> | <b>16,816,902</b>        | <b>504,770,674</b>        | <b>833,959,732</b> |
| Net Result                        |       | 2,585,793          | -                        | -                         | <b>2,585,793</b>   |
| Total OCI / Asset Revaluation     | 13    | -                  | -                        | 1,951,512                 | <b>1,951,512</b>   |
| Reserve Transfers                 | 12    | 6,489,170          | (6,489,170)              | -                         | -                  |
| <b>Balance as at 30 June 2016</b> |       | <b>321,447,119</b> | <b>10,327,731</b>        | <b>506,722,186</b>        | <b>838,497,036</b> |

## City of Greater Geraldton

## Statement of Cash Flows

for the year ended 30 June 2016

| \$ '000   | Notes | 2016<br>Actual      | 2016<br>Budget      | 2015<br>Actual      |
|---|-------|---------------------|---------------------|---------------------|
| <b>Cash Flows from Operating Activities</b>                   |       |                     |                     |                     |
| <b>Receipts:</b>  |       |                     |                     |                     |
| Rates   |       | 40,985,351          | 41,203,098          | 38,891,284          |
| Operating Grants, Subsidies and Contributions                 |       | 6,701,460           | 9,178,676           | 13,674,952          |
| Fees and Charges  |       | 20,759,782          | 19,866,989          | 19,531,466          |
| Interest Earnings   |       | 1,439,615           | 1,443,623           | 1,511,124           |
| Goods and Services Tax  |       | 183,341             | -                   | (27,950)            |
| Other Revenue   |       | 1,074,512           | 943,420             | 1,482,522           |
|   |       | <u>71,144,061</u>   | <u>72,635,806</u>   | <u>75,063,398</u>   |
| <b>Payments:</b>  |       |                     |                     |                     |
| Employee Costs  |       | (27,832,427)        | (28,213,394)        | (29,591,904)        |
| Materials and Contracts                                       |       | (20,938,231)        | (21,722,563)        | (16,988,266)        |
| Utilities   |       | (3,053,752)         | (3,295,420)         | (3,163,157)         |
| Insurance   |       | (778,377)           | (880,735)           | (858,882)           |
| Interest  |       | (1,019,904)         | (1,119,443)         | (871,625)           |
| Other Expenditure   |       | (2,384,475)         | (2,741,549)         | (1,532,039)         |
|   |       | <u>(56,007,166)</u> | <u>(57,973,104)</u> | <u>(53,005,872)</u> |
| <b>Net Cash provided (or used in) Operating Activities</b>    | 14(b) | <u>15,136,895</u>   | <u>14,662,702</u>   | <u>22,057,525</u>   |
| <b>Cash Flows from Investing Activities</b>                   |       |                     |                     |                     |
| <b>Receipts:</b>  |       |                     |                     |                     |
| Non-Operating Grants, Subsidies and Contributions             | 30    | 11,600,846          | 19,689,063          | 6,036,624           |
| Proceeds from Development of Land for Resale                  |       | -                   | 500,000             | -                   |
| Proceeds from Sale of Assets                                  | 21    | 1,031,143           | 4,159,000           | 1,308,413           |
| Unexpended Non-Operating Grants                               |       | 7,140,673           | -                   | 649,000             |
| Proceeds from Investments                                     | 4     | 592,287             | 90,000              | -                   |
| <b>Payments:</b>  |       |                     |                     |                     |
| Payments for Development of Land for Resale                   |       | -                   | -                   | 90,236              |
| Payments for Purchase of Property, Plant & Equipment          | 20    | (14,191,446)        | (15,394,998)        | (10,210,232)        |
| Payments for Construction of Infrastructure                   | 20    | (21,902,718)        | (53,389,863)        | (17,860,560)        |
| <b>Net Cash provided (or used in) Investing Activities</b>    |       | <u>(15,729,214)</u> | <u>(44,346,798)</u> | <u>(19,986,518)</u> |
| <b>Cash Flows from Financing Activities</b>                   |       |                     |                     |                     |
| <b>Receipts:</b>  |       |                     |                     |                     |
| Proceeds from Self Supporting Loans                           | 23(a) | 81,748              | 81,748              | 77,149              |
| Proceeds from New Loans                                       | 23(b) | 8,806,000           | 25,206,000          | 6,670,000           |
| Proceeds from Council Loans                                   | 5     | 37,629              | -                   | -                   |
| <b>Payments:</b>  |       |                     |                     |                     |
| Repayment of Debentures                                       | 23(a) | (3,034,463)         | (3,032,231)         | (4,816,986)         |
| <b>Net Cash provided (or used in) Financing Activities</b>    |       | <u>5,890,914</u>    | <u>22,255,517</u>   | <u>1,930,163</u>    |
| <b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b> |       | 5,298,594           | (7,428,579)         | 4,001,170           |
| Cash at the beginning of the year                             | 3     | 32,801,983          | 15,114,433          | 28,800,813          |
| <b>Cash &amp; Cash Equivalents - End of the Year</b>          | 14(a) | <u>38,100,578</u>   | <u>7,685,854</u>    | <u>32,801,983</u>   |
| Additional Information:                                       |       |                     |                     |                     |
| plus: <b>Investments on hand - end of year</b>                | 4     | -                   | -                   | 266,241             |
| <b>Total Cash, Cash Equivalents &amp; Investments</b>         |       | <u>38,100,578</u>   | <u>7,685,854</u>    | <u>33,068,224</u>   |

This statement should be read in conjunction with the accompanying notes.

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## City of Greater Geraldton

### Rate Setting Statement (by Nature) for the year ended 30 June 2016

| \$ '000   | Notes | 2016<br>Actual      | 2016<br>Budget      | 2015<br>Actual      |
|---|-------|---------------------|---------------------|---------------------|
| <b>Revenue</b>                                      |       |                     |                     |                     |
| Operating Grants, Subsidies & Contributions         |       | 6,701,460           | 28,867,739          | 13,674,952          |
| Fees & Charges                                      |       | 20,409,467          | 19,866,989          | 20,236,613          |
| Interest Earnings                                   |       | 1,433,514           | 1,443,935           | 1,509,969           |
| Profit on Disposal of Assets                        |       | 2,757               | 218,026             | 274,464             |
| Other Revenue                                       |       | 1,321,900           | 1,105,661           | 1,208,200           |
|   |       | <u>29,869,098</u>   | <u>51,502,350</u>   | <u>36,904,199</u>   |
| <b>Expenses</b>                                     |       |                     |                     |                     |
| Employee Costs                                      |       | (27,897,929)        | (28,238,387)        | (29,683,817)        |
| Materials & Contracts                               |       | (22,903,740)        | (22,060,140)        | (19,596,208)        |
| Utilities   |       | (3,053,752)         | (3,295,420)         | (3,163,157)         |
| Depreciation & Amortisation                         |       | (22,567,669)        | (22,023,657)        | (18,218,207)        |
| Interest Expenses                                   |       | (1,042,382)         | (1,109,443)         | (860,737)           |
| Insurance   |       | (778,377)           | (880,735)           | (858,882)           |
| Loss on Disposal of Assets                          |       | (215,455)           | (234,511)           | (169,398)           |
| Other Expenditure                                   |       | (2,041,636)         | (2,891,549)         | (2,232,288)         |
|   |       | <u>(80,500,940)</u> | <u>(80,733,842)</u> | <u>(74,782,696)</u> |
| <b>Net Result Excluding Rates</b>                   |       | <u>(50,631,842)</u> | <u>(29,231,492)</u> | <u>(37,878,497)</u> |
| <b>Adjustment for Cash Budget Requirements:</b>     |       |                     |                     |                     |
| <b>Non-Cash Expenditure &amp; Revenue</b>           |       |                     |                     |                     |
| (Profit)/Loss on Asset Disposal                     | 21    | 212,699             | 16,485              | (105,066)           |
| Movement in Non-Current Deferred Pensioner Rates    |       | 77,399              | -                   | (11,487)            |
| Movement in Non-Current Employee Benefit Provisions | 11    | 27,398              | 97,167              | 71,905              |
| Movement in Self Supporting Loan Debtors            | 5     | (86,741)            | -                   | -                   |
| Depreciation & Amortisation on Assets               | 2(a)  | 22,567,669          | 22,023,657          | 18,218,207          |
| Movement of Non-Current Debtors & Inventories       |       | -                   | -                   | (302,246)           |
| Movement of Non-Current Creditors & Provisions      | 11    | (69,250)            | -                   | -                   |
| Other Non-Cash (Revenue)/Expenditure                |       | 193,743             | -                   | (22,611)            |
| <b>Net Non-Cash Expenditure &amp; Revenue</b>       |       | <u>22,922,915</u>   | <u>22,137,309</u>   | <u>17,848,701</u>   |
| <b>Capital Expenditure</b>                          |       |                     |                     |                     |
| Purchase Land and Buildings                         | 20    | (11,726,888)        | (12,985,498)        | (7,727,346)         |
| Purchase Plant and Equipment                        | 20    | (2,183,495)         | (1,962,000)         | (1,271,866)         |
| Purchase Furniture and Equipment                    | 20    | (281,064)           | (447,500)           | (665,689)           |
| Purchase of Other PP&E                              | 20    | -                   | -                   | (27,440)            |
| Infrastructure Assets                               | 20    | (21,902,718)        | (53,389,863)        | (17,860,560)        |
| Repayment of Debentures                             | 23(a) | (3,034,460)         | (3,032,231)         | (4,816,987)         |
| <b>Net Capital Expenditure</b>                      |       | <u>(39,128,625)</u> | <u>(71,817,092)</u> | <u>(32,369,888)</u> |



## City of Greater Geraldton

Rate Setting Statement (by Nature) (continued)  
for the year ended 30 June 2016

| \$ '000   | Notes | 2016<br>Actual      | 2016<br>Budget      | 2015<br>Actual      |
|---|-------|---------------------|---------------------|---------------------|
| <b>Capital Revenue</b>                            |       |                     |                     |                     |
| Proceeds from Disposal of Assets                  | 21    | 1,031,143           | 4,159,000           | 1,706,503           |
| Proceeds from New Debentures                      | 23(b) | 8,806,000           | 25,206,000          | 6,670,000           |
| Self-Supporting Loan Principal Income             | 23(a) | 81,748              | 81,748              | 77,149              |
| Council Loan Principal Income                     | 5     | 37,629              | 37,629              | 10,616              |
| Non-Operating Grants, Subsidies and Contributions | 30    | 11,600,846          | -                   | 6,036,624           |
| Proceeds from Land Held for Resale                |       | -                   | 500,000             | -                   |
| <b>Net Capital Revenue</b>                        |       | <u>21,557,366</u>   | <u>29,984,377</u>   | <u>14,500,892</u>   |
| <b>Transfers</b>                                  |       |                     |                     |                     |
| Transfers to Reserves (Restricted Assets)         | 12    | (5,168,900)         | -                   | (8,567,113)         |
| Transfers from Reserves (Restricted Assets)       | 12    | 11,658,070          | 8,133,496           | 8,006,214           |
| <b>Net Transfers</b>                              |       | <u>6,489,170</u>    | <u>8,133,496</u>    | <u>(560,899)</u>    |
| Surplus/(Deficit) July 1 B/Fwd                    | 24(b) | (132,682)           | (2,094,502)         | (1,132,384)         |
| Surplus/(Deficit) June 30 C/Fwd                   | 24(b) | 2,367,045           | (1,612,780)         | (132,682)           |
| <b>Amount Raised from Rates</b>                   | 24(a) | <u>(41,290,743)</u> | <u>(41,275,124)</u> | <u>(39,459,392)</u> |

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

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## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1. Summary of Significant Accounting Policies

---

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### (a) Basis of preparation

The financial report is a general purpose financial statement which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), other authoritative pronouncements of the Australian Standards Board, *Local Government Act 1995* and accompanying regulations. The report has also been prepared on the accrual basis under the convention of historical cost accounting modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

##### Critical Accounting Estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of this experience and other factors combine to form the basis of making judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

##### *Restoration and rehabilitation provision*

The Council's accounting policy for the recognition of restoration and rehabilitation provisions requires significant estimates including the magnitude of possible works required for the removal of infrastructure and of rehabilitation works, future cost of performing the work, the inflation and discount rates and the timing of cash flows. These uncertainties may result in future actual expenditure differing from the amounts currently provided. When these factors change or become known in the future, such differences will impact the landfill rehabilitation

provision in the period in which they change or become known.

##### (b) The Local Government Reporting Entity

All Funds through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this financial report. In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between Funds) have been eliminated. All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 18 to this financial report.

##### (c) Goods and Services Tax

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the Statement of Financial Position are stated inclusive of applicable GST.

##### (d) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included as short-term borrowings in current liabilities on the Statement of Financial Position.

##### (e) Trade and Other Receivables

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (f) Inventories

###### (i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the established selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

###### (ii) Land Held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred. Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Revenue arising from the sale of property is recognised in the operating statement as at the time of signing a binding contract of sale. Land held for resale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.

##### (g) Fixed Assets

###### Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed includes the cost of all materials, direct labour and variable and fixed overheads.

##### Revaluation

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on a basis to reflect the already consumed or expired future economic benefits of the asset.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ significantly from that determined using fair value at reporting date.

##### Land under Roads

In Western Australia, all land under roads is Crown land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB 1051 Land Under Roads and the fact that *Local Government (Financial Management) Regulation 16(a)(i)* prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, *Local Government (Financial Management) Regulation 4(2)* provides that, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of Significant Accounting Policies (continued)

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Council.

##### (h) Depreciation of Non-Current Assets

All non-current assets having a limited useful life are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

All Land and Art purchases are capitalised. The remaining asset classes will be capitalised if the cost exceeds the following thresholds:

|                          |         |
|--------------------------|---------|
| Buildings                | \$5,000 |
| Plant, Equipment & Tools | \$2,000 |
| Furniture & Equipment    | \$2,000 |

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. Major depreciation periods are:

|                                       |                |
|---------------------------------------|----------------|
| Land                                  | Infinite       |
| Land (Leasehold Interest)             | 99 years       |
| Airport<br>- Runway, Apron & Car Park | 20 to 40 years |
| Buildings                             | 35 to 55 years |
| Furniture & Equipment                 | 7 to 13 years  |
| Plant and Major Equipment             | 5 to 10 years  |
| Minor Plant                           | 3 to 7 years   |
| Sealed Roads and Streets              | 20 to 50 years |
| Bridges                               | 60 to 90 years |
| Car Parks Sealed                      | 20 to 40 years |
| Culverts                              | 40 to 60 years |
| Cycle ways                            | 25 to 45 years |
| Dams, Reservoirs and Weirs            | 65 to 85 years |
| Footpaths - Slab                      | 15 to 35 years |

|                               |                |
|-------------------------------|----------------|
| Footpaths - Concrete          | 25 to 45 years |
| Foundations                   | 40 to 60 years |
| Kerb & Channels               | 40 to 60 years |
| Street Lights                 | 20 to 30 years |
| Sewerage Piping               | 70 to 90 years |
| Water Reticulation/Irrigation | 15 to 25 years |
| Meru Landfill                 | 35 to 40 years |
| Effluent Scheme               | 35 to 40 years |

The assets residual value and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

##### (i) Financial Instruments

###### Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Council becomes a part to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

###### Classification and Subsequent Measurement

Financial instruments are subsequently measured at amortised cost using the effective interest rate method or cost.

## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1. Summary of Significant Accounting Policies (continued)

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method; and
- (d) less any reduction for impairment.

The effective interest method used is to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the Statement of Financial Position date which are classified as non-current assets. Loans and receivables are included

in trade and other receivables in the Statement of Financial Position.

#### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

#### (iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

#### (v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

#### Impairment

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses recognised in the Statement of Comprehensive Income.

#### (j) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.



## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1. Summary of Significant Accounting Policies (continued)

The fair value of financial instruments traded in active markets is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

#### (k) Provisions

Provisions are recognised when the Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

#### (l) Leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment

acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term. Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

#### (m) Impairment

In accordance with Australian Accounting Standards the Council's assets, other than inventories, are tested annually for impairment. Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with *AASB 136 Impairment of Assets* and appropriate adjustments made. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the Statement of Comprehensive Income.

For non-cash generating assets of the Council such as roads, drains, public buildings and the like, value in use is represented by the asset's written down replacement cost.

#### (n) Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Municipality prior to the end of the financial year that are unpaid and arise when the Municipality becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

#### (o) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid of the establishment of loan facilities that are yield

## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1. Summary of Significant Accounting Policies (continued)

related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date. Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

#### (p) Employee Benefits

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries and are calculated as follows:

##### **Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)**

The provision for employees' benefits wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the Council has a present obligation to pay resulting from employee's services provided to balance date. The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

##### **Long Service Leave (Long-term Benefits)**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows.

Where Council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

#### (q) Superannuation

The Council contributes to a number of Superannuation Funds on behalf of their employees. Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (r) Joint Venture

The municipality's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the relevant items reported in the Statement of Financial Position and Statement of Comprehensive Income. Information about the joint venture is set out in Note 17.

#### (s) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed at Note 2(d). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operation for the current reporting period.

#### (t) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operation cycle. In the case of liabilities where the Council does not have the unconditional right to defer settlement beyond 12



## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1. Summary of Significant Accounting Policies (continued)

months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for resale where it is held as non-current based on the Council's intentions to release for sale.

#### (u) Rounding Off Figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar

#### (v) Comparative Figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, a statement of financial position as at the beginning of the earliest period will be disclosed.

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

#### (w) Budget Comparative Figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

#### (x) Investment Property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields. Investment property is carried at fair value, representing open-market value determined annually by external users.

#### (y) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets "held for sale" are not depreciated or amortised while they are classified as "held for sale".

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

A Discontinued Operation is a component of Council that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.

#### (z) Intangible Assets

Council has not classified any assets as Intangible.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (aa) New Accounting Standards and Interpretations for Application in Future Periods

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

City of Greater Geraldton has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective with the exception of AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*. Generally, Council applies standards and interpretations in accordance with their respective commencement dates. The retrospective application of AASB 2015-7 has exempted Council from the disclosure of quantitative information and sensitivity analysis for some valuations categorised within Level 3 of the fair value hierarchy.

At the date of authorisation of the financial report, AASB 9 *Financial Instruments* and AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* are the only new accounting standards with a future application date that are expected to have a material impact on Council's financial statements.

From 1 July 2016 AASB 124 *Related Party Disclosures* will apply to Council, which means that Council will disclose more information about related parties and transactions with those related parties. AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2018 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

Council is still reviewing the way that revenue is measured and recognised to identify whether AASB 15 Revenue from Contracts with Customers will have a material impact. To date no impact has been identified.

AASB 15 is effective from 1 January 2018 and will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.

Other amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

The amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

##### Effective for periods commencing 1 January 2016:

- AASB 14 *Regulatory Deferral Accounts*
- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2014-3 *Amendments to Australian Accounting Standards-Accounting for Acquisitions of Interests in Joint Operations*
- AASB 2014-4 *Amendments to Australian Accounting Standards-Clarification of Acceptable Methods of Depreciation and Amortisation*
- AASB 2014-6 *Amendments to Australian Accounting Standards-Agriculture: Bearer Plants*
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]*
- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]*

## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1. Summary of Significant Accounting Policies (continued)

- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle* [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception* [AASB 10, AASB 12 & AASB 128]
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part D)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

#### Effective for periods commencing 1 January 2019:

- AASB 16 *Leases*

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2017.

#### Not applicable to Local Government per se;

None

There are no other standards that are “not yet effective” and expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

#### (ab) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

#### Effective for periods commencing 1 July 2016:

- AASB 1056 *Superannuation Entities*
- AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* [AASB 10, AASB 124 & AASB 1049]

#### Effective for periods commencing 1 January 2017:

- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*

#### Effective for periods commencing 1 January 2018:

- AASB *Financial Instruments (December 2009)*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 2. Operating Revenues and Expenses

| \$ '000  | Notes | 2016<br>Actual    | 2016<br>Budget    | 2015<br>Actual    |
|--|-------|-------------------|-------------------|-------------------|
| <b>(a) Net Result</b>                                    |       |                   |                   |                   |
| The Result includes:                                     |       |                   |                   |                   |
| <b>(i) Charging as an Expense:</b>                       |       |                   |                   |                   |
| <b>Significant Expense/Revenue</b>                       |       |                   |                   |                   |
| reduction in the fair value of the Council's investments | 4     | (326,046)         | (90,000)          | 67,154            |
| <b>Auditors Remuneration</b>                             |       |                   |                   |                   |
| - Audit  |       | 44,441            | 45,000            | 42,275            |
| - Other Services   |       | 29,960            | -                 | -                 |
| <b>Bad &amp; Doubtful Debts</b>                          |       |                   |                   |                   |
| Rates  | 27(c) | 80,334            | 30,000            | 1,382             |
| General Debtors  | 27(c) | 74,530            | 16,630            | 19,866            |
| <b>Depreciation &amp; Amortisation</b>                   |       |                   |                   |                   |
| <i>Property, Plant &amp; Equipment</i>                   |       |                   |                   |                   |
| - Buildings  | 7(b)  | 3,071,695         | 1,856,456         | 2,907,985         |
| - Furniture and Equipment                                |       | 390,086           | 38,830            | 365,812           |
| - Plant and Equipment                                    |       | 2,218,542         | 1,895,958         | 1,903,632         |
| <i>Infrastructure</i>                                    |       |                   |                   |                   |
| - Roads  | 8(b)  | 14,919,685        | 12,427,613        | 11,240,352        |
| - Recreation   |       | 592,464           | 1,117,546         | 775,444           |
| - Car Parks  |       | 437,953           | -                 | 242,401           |
| - Meru Landfill  |       | 354,176           | 968,525           | 389,804           |
| - Airport  |       | 575,103           | 592,256           | 386,076           |
| - Effluent Scheme  |       | 7,966             | -                 | 6,702             |
| - Other Infrastructure                                   |       | -                 | 3,126,473         | -                 |
|  |       | <b>22,567,669</b> | <b>22,023,657</b> | <b>18,218,207</b> |
| <b>Interest Expenses (Finance Costs)</b>                 |       |                   |                   |                   |
| Debentures   | 23(a) | 1,042,382         | 1,109,443         | 860,737           |
|  |       | <b>1,042,382</b>  | <b>1,109,443</b>  | <b>860,737</b>    |
| <b>Rental Charges</b>                                    |       |                   |                   |                   |
| - Operating Leases                                       |       | 73,504            | -                 | 67,938            |
|  |       | <b>73,504</b>     | <b>-</b>          | <b>67,938</b>     |
| <b>(ii) Crediting as Revenue:</b>                        |       |                   |                   |                   |
| <b>Interest Earnings</b>                                 |       |                   |                   |                   |
| Investments - Reserve Funds                              |       | 438,880           | 900,000           | 481,596           |
| Investments - Other Funds                                |       | 328,885           | 21,935            | 483,648           |
| Other Interest Revenue                                   | 28    | 665,749           | 522,000           | 544,725           |
|  |       | <b>1,433,514</b>  | <b>1,443,935</b>  | <b>1,509,969</b>  |

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 2. Operating Revenues and Expenses (continued)

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\$ '000

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##### (b). Statement of Objectives, Reporting Programs and Nature or Type

City of Greater Geraldton is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

##### **REPORTING PROGRAM DESCRIPTIONS**

Council operations that are disclosed encompass the following service orientated activities/programs:

##### **GOVERNANCE**

Objective: To provide a decision making process for the efficient allocation of scarce resources.

Activities: Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.

##### **GENERAL PURPOSE FUNDING**

Objective: To collect revenue to allow for the provision of services.

Activities: Rates, general purpose government grants, and interest revenue.

##### **LAW, ORDER, PUBLIC SAFETY**

Objective: To provide services to help ensure a safer and environmentally conscious community.

Activities: Supervision and enforcement of various local laws relating to fire prevention, animal control and protection of the environment and other aspects of public safety including emergency services.

##### **HEALTH**

Objective: To provide services to achieve community and environmental health

Activities: Maternal and infant health facilities, immunisation, meat inspection services, inspection of food outlets, noise control and pest control services.

##### **EDUCATION AND WELFARE**

Objective: To provide services to children, youth, the elderly and disadvantaged persons

Activities: Pre-school and other education services, child minding facilities, playgroups, senior citizens' centres, meals on wheels and home care services.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 2. Operating Revenues and Expenses (continued)

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\$ '000

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##### (b). Statement of Objectives, Reporting Programs and Nature or Type (continued)

#### **HOUSING**

Objective: To provide and maintain staff housing and elderly residents' housing.

Activities: Provision and maintenance of staff housing and elderly residents' housing.

#### **COMMUNITY AMENITIES**

Objective: To provide services required by the community.

Activities: Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemeteries and public conveniences.

#### **RECREATION AND CULTURE**

Objective: To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community.

Activities: Maintenance of public halls, civic centre, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.

#### **TRANSPORT**

Objective: To provide safe, effective and efficient transport services to the community.

Activities: Construction (if not capitalised) and maintenance of roads, streets, footpaths, depots, cycleways, parking facilities and traffic control. Aerodromes and water transport facilities, cleaning of streets and maintenance of street trees, street lighting etc.

#### **ECONOMIC SERVICES**

Objective: To help promote the shire and its economic wellbeing.

Activities: Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building control.

#### **OTHER PROPERTY & SERVICES**

Objective: To monitor and control council's overheads operating accounts.

Activities: Private works operation, plant repair and operation costs and engineering operation costs.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 2. Operating Revenues and Expenses (continued)

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\$ '000

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##### (c) Nature or Type Classifications

City of Greater Geraldton is required by the Australian Accounting Standards to disclose revenue and expenditure according to its nature or type classification. The following nature or function descriptions are also required by State Government regulations.

##### REVENUE

###### Rates

All rates levied under the Local Government Act 1995. Includes general, differential, specific area rates, minimum rates, interim rates, back rates, ex-gratia rates, less discounts offered. Excludes administration fees, interest on instalments, interest on arrears, service charges and waste and sewerage rates.

###### Operating Grants, Subsidies and Contributions

Refer to all amounts received as grants, subsidies and contributions that are not non-operating grants.

###### Non-Operating Grants, Subsidies and Contributions

Amounts received specifically for the acquisition, construction of new or the upgrading of non-current assets paid to a local government, irrespective of whether these amounts are received as capital grants, subsidies, contributions or donations.

###### Profit on Asset Disposal

Profit on the disposal of assets including gains on the disposal of long term investments. Losses are disclosed under the expenditure classifications.

###### Fees and Charges

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees.

###### Service Charges

Service charges imposed under Division 6 of Part 6 of the Local Government Act 1995. Regulation 54 of the Local Government (Financial Management) Regulations identifies the charges which can be raised. These are television and radio rebroadcasting, underground electricity, property surveillance and security and water services. Excludes rubbish removal and charges for the provision of waste services.

###### Interest Earnings

Interest and other items of a similar nature received from bank and investment accounts, interest on rate instalments, interest on rate arrears and interest on debtors.

###### Other Revenue

Other revenue, which cannot be classified under the above headings, includes dividends, discounts, rebates, etc.



## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 2. Operating Revenues and Expenses (continued)

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\$ '000

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##### (c) Nature or Type Classifications (continued)

#### EXPENDITURE

##### Employee Costs

All costs associated with the employment of persons such as salaries, wages, allowances, benefits such as vehicle and housing, superannuation, employment expenses, removal expenses, relocation expenses, worker's compensation insurance, training costs, conferences, safety expenses, medical examinations, fringe benefits tax etc.

##### Material and Contracts

All expenditure on materials, supplies and contracts not classified under other headings. These include supply of goods and materials, legal expenses, consultancy, maintenance agreements, communication expenses, advertising expenses, membership, periodicals, publications, hire expenses, rental, leases, postage and freight etc.

##### Utilities (Gas, Electricity, Water, etc.)

Expenditures made to respective agencies for the provision of power, gas or water. Excludes expenditure incurred for the re-instatement of road works on behalf of these agencies.

##### Depreciation & Amortisation on Non-Current Assets

Depreciation and amortisation expense raised on all classes of assets.

##### Loss on Asset Disposal

Loss on the disposal of fixed assets.

##### Interest Expenses

Interest and other costs of finance paid, including costs of finance for loan debentures, overdraft accommodation and re-financing expenses.

##### Insurance

All insurance other than worker's compensation and health benefit insurance included as a cost of employment.

##### Other Expenditure

Statutory fees, taxes, provision of bad debts. Donations and subsidies made to community groups.



## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 2. Operating Revenues and Expenses (continued)

| \$ '000   | Opening<br>Balance <sup>1</sup><br>1-Jul-14 | Received <sup>2</sup><br>2015 | Expended <sup>3</sup><br>2015 | Closing<br>Balance <sup>1</sup><br>30-Jun-15 | Received <sup>2</sup><br>2016 | Expended <sup>3</sup><br>2016 | Closing<br>Balance<br>30-Jun-16 |
|---|---|-------------------------------|-------------------------------|--|-------------------------------|-------------------------------|---------------------------------|
| <b>(d). Conditions Over Grants, Subsidies &amp; Contributions</b> |   |                               |                               |  |                               |                               |                                 |
| <b>Grant/Subsidy/Contribution</b>                                 |   |                               |                               |  |                               |                               |                                 |
| <b><u>Governance</u></b>  |   |                               |                               |  |                               |                               |                                 |
| Abraham Street Roundabout   | -   | -                             | -                             | -  | 719,887                       | -                             | <b>719,887</b>                  |
| Airport Projects  | -   | 632,375                       | -                             | <b>632,375</b>                               | 116,245                       | (413,141)                     | <b>335,479</b>                  |
| Airport Security Screening & Baggage Handling                     | -   | -                             | -                             | -  | 140,000                       | -                             | <b>140,000</b>                  |
| Aquarena Geothermal   | 240,000                                     | -                             | (240,000)                     | -  | -                             | -                             | -                               |
| Art Gallery- Donation to Lindsay Collection                       | 20,341                                      | -                             | (7,440)                       | <b>12,901</b>                                | -                             | -                             | <b>12,901</b>                   |
| Art Gallery- Community Cultural Development                       | 3,454                                       | -                             | -                             | <b>3,454</b>                                 | -                             | -                             | <b>3,454</b>                    |
| Arts Engagement Officer   | 18,894                                      | -                             | (18,894)                      | -  | -                             | -                             | -                               |
| Artwork Acquisitions  | -   | -                             | -                             | -  | 20,000                        | -                             | <b>20,000</b>                   |
| Back Beach  | -   | 40,000                        | -                             | <b>40,000</b>                                | -                             | (40,000)                      | -                               |
| Beresford Foreshore (Northern Beaches Seawall)                    | 77,106                                      | -                             | -                             | <b>77,106</b>                                | -                             | (77,106)                      | -                               |
| Big Sky Writers Festival  | 16,545                                      | -                             | (16,545)                      | -  | -                             | -                             | -                               |
| Bridgid Road New Access   | -   | -                             | -                             | -  | 80,000                        | -                             | <b>80,000</b>                   |
| Bright Stars Family Day Care                                      | 5,000                                       | -                             | (5,000)                       | -  | 15,000                        | -                             | <b>15,000</b>                   |
| Building Better Regional Cities                                   | 9,790,660                                   | 157,070                       | (5,188,918)                   | <b>4,758,812</b>                             | -                             | (4,758,812)                   | -                               |
| Bushfire Brigade Maintenance                                      | -   | -                             | -                             | -  | 7,000                         | -                             | <b>7,000</b>                    |
| Caring for Bimarras Pools - Stage 1 - Greenough River             | -   | -                             | -                             | -  | 20,536                        | -                             | <b>20,536</b>                   |
| Cathedral Avenue Footpath   | -   | -                             | -                             | -  | 24,444                        | -                             | <b>24,444</b>                   |
| CBD Gardens Parkway Seats   | -   | -                             | -                             | -  | 26,580                        | -                             | <b>26,580</b>                   |
| CCTV Eye on Mullewa   | 50,000                                      | -                             | (50,000)                      | -  | -                             | -                             | -                               |
| CCTV Systems  | -   | -                             | -                             | -  | 3,000                         | -                             | <b>3,000</b>                    |

(continued on next page)

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 2. Operating Revenues and Expenses (continued)

| \$ '000  | Opening<br>Balance <sup>1</sup><br>1-Jul-14 | Received <sup>2</sup><br>2015 | Expended <sup>3</sup><br>2015 | Closing<br>Balance <sup>1</sup><br>30-Jun-15 | Received <sup>2</sup><br>2016 | Expended <sup>3</sup><br>2016 | Closing<br>Balance<br>30-Jun-16 |
|--|---|-------------------------------|-------------------------------|--|-------------------------------|-------------------------------|---------------------------------|
| (d). Conditions Over Grants, Subsidies & Contributions (continued)     |   |                               |                               |  |                               |                               |                                 |
| <b>Grant/Subsidy/Contribution (continued)</b>                          |   |                               |                               |  |                               |                               |                                 |
| <b><u>Governance (continued)</u></b>                                   |   |                               |                               |  |                               |                               |                                 |
| Cell 3   | -   | -                             | -                             | -  | 60,000                        | -                             | <b>60,000</b>                   |
| Chapman & Greenough River Flood Project                                | -   | -                             | -                             | -  | 125,000                       | -                             | <b>125,000</b>                  |
| Chapman River Corridor Project - 13001                                 | -   | 5,000                         | -                             | <b>5,000</b>                                 | -                             | (5,000)                       | -                               |
| Chapman River Regional Park CARE Project - Stage 3                     | -   | -                             | -                             | -  | 20,065                        | -                             | <b>20,065</b>                   |
| Chapman Road Footpath  | -   | -                             | -                             | -  | 26,582                        | -                             | <b>26,582</b>                   |
| Chapman Road Foreshore   | -   | -                             | -                             | -  | 1,552,947                     | -                             | <b>1,552,947</b>                |
| Chapman Wildlife Corridor CARE Stage 2                                 | -   | -                             | -                             | -  | 12,100                        | -                             | <b>12,100</b>                   |
| CLGF Regional Funding - Wonthella Lights                               | 229,141                                     | -                             | -                             | <b>229,141</b>                               | -                             | (229,141)                     | -                               |
| Community Grants Round 10  | 19,754                                      | -                             | (17,019)                      | <b>2,735</b>                                 | -                             | (2,735)                       | -                               |
| Community Grants Round 13  | -   | 7,393                         | -                             | <b>7,393</b>                                 | -                             | (5,250)                       | <b>2,143</b>                    |
| Community Grants Round 14  | -   | 35,176                        | -                             | <b>35,176</b>                                | -                             | (32,119)                      | <b>3,057</b>                    |
| Community Grants Round 15  | -   | 12,901                        | -                             | <b>12,901</b>                                | -                             | (10,101)                      | <b>2,800</b>                    |
| Community Grants Round 16  | -   | 23,195                        | -                             | <b>23,195</b>                                | -                             | (16,932)                      | <b>6,263</b>                    |
| Community Grants Round 17  | -   | -                             | -                             | -  | 19,417                        | -                             | <b>19,417</b>                   |
| CSRFF - Netball Association  | -   | 48,659                        | -                             | <b>48,659</b>                                | -                             | (48,659)                      | -                               |
| Depot Main   | 724,779                                     | 80,410                        | (724,779)                     | <b>80,410</b>                                | -                             | (80,410)                      | -                               |
| Detailed Mountain Bike Plan - Chapman Valley Wildlife Corridor Project | -   | -                             | -                             | -  | 12,736                        | -                             | <b>12,736</b>                   |
| Drainage Works   | -   | 180,847                       | -                             | <b>180,847</b>                               | -                             | -                             | <b>180,847</b>                  |
| Drummond Cove Toilets - External Showers and Access Path               | 15,000                                      | -                             | (15,000)                      | -  | -                             | -                             | -                               |
| Dual Use Pathways- Bikewest (Champion Bay)                             | 7,000                                       | -                             | -                             | <b>7,000</b>                                 | -                             | -                             | <b>7,000</b>                    |

(continued on next page)

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 2. Operating Revenues and Expenses (continued)

| \$ '000   | Opening<br>Balance <sup>1</sup><br>1-Jul-14 | Received <sup>2</sup><br>2015 | Expended <sup>3</sup><br>2015 | Closing<br>Balance <sup>1</sup><br>30-Jun-15 | Received <sup>2</sup><br>2016 | Expended <sup>3</sup><br>2016 | Closing<br>Balance<br>30-Jun-16 |
|---|---|-------------------------------|-------------------------------|--|-------------------------------|-------------------------------|---------------------------------|
| <b>(d). Conditions Over Grants, Subsidies &amp; Contributions (continued)</b> |   |                               |                               |  |                               |                               |                                 |
| <b>Grant/Subsidy/Contribution (continued)</b>                                 |   |                               |                               |  |                               |                               |                                 |
| <b><u>Governance (continued)</u></b>  |   |                               |                               |  |                               |                               |                                 |
| Eastern Breakwater  | 280,000                                     | -                             | (150,000)                     | <b>130,000</b>                               | -                             | -                             | <b>130,000</b>                  |
| Ellendale Pool Honesty Box  | 19,730                                      | 7,046                         | -                             | <b>26,776</b>                                | -                             | -                             | <b>26,776</b>                   |
| Environmental Projects - Signage  | -   | 50,000                        | -                             | <b>50,000</b>                                | -                             | -                             | <b>50,000</b>                   |
| FAGs  | -   | 2,965,584                     | -                             | <b>2,965,584</b>                             | -                             | (2,965,584)                   | -                               |
| Feasibility Geraldton Laser Light Project                                     | -   | -                             | -                             | -  | 40,000                        | -                             | <b>40,000</b>                   |
| Fitzgerald Street Footpath  | -   | -                             | -                             | -  | 24,159                        | -                             | <b>24,159</b>                   |
| Fleet Replacement   | 200,000                                     | 230,000                       | -                             | <b>430,000</b>                               | 371,250                       | -                             | <b>801,250</b>                  |
| Foreshore Stabilisation   | -   | 806,661                       | -                             | <b>806,661</b>                               | -                             | -                             | <b>806,661</b>                  |
| Glendinning Road Foreshore Bollards   | -   | -                             | -                             | -  | 19,435                        | -                             | <b>19,435</b>                   |
| Greater Geraldton Rural Art Tour  | -   | -                             | -                             | -  | 13,050                        | -                             | <b>13,050</b>                   |
| Green Army Programme  | -   | -                             | -                             | -  | 10,000                        | -                             | <b>10,000</b>                   |
| Greenough River Estuary Nature Walk Trail - Stage 1                           | -   | -                             | -                             | -  | 23,296                        | -                             | <b>23,296</b>                   |
| Groundwater Monitoring Bore - Meru Landfill                                   | -   | -                             | -                             | -  | 39,935                        | -                             | <b>39,935</b>                   |
| HMAS Memorial   | 9,204                                       | -                             | -                             | <b>9,204</b>                                 | -                             | -                             | <b>9,204</b>                    |
| Implementation of the Chapman River Estuary Management Plan                   | -   | -                             | -                             | -  | 22,248                        | -                             | <b>22,248</b>                   |
| IT LAN/WAN Equipment  | 120,000                                     | -                             | (120,000)                     | -  | 27,000                        | -                             | <b>27,000</b>                   |
| Kid sport   | 46,827                                      | -                             | (46,827)                      | -  | -                             | -                             | -                               |
| Library Regional Activity Plan  | 2,290                                       | -                             | -                             | <b>2,290</b>                                 | -                             | -                             | <b>2,290</b>                    |
| Library Old Railway Station   | 7,805                                       | -                             | (7,805)                       | -  | -                             | -                             | -                               |
| Lighthouse Keepers Cottage Restoration  | 1,362                                       | -                             | (1,362)                       | -  | -                             | -                             | -                               |

(continued on next page)

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 2. Operating Revenues and Expenses (continued)

| \$ '000  | Opening<br>Balance <sup>1</sup><br>1-Jul-14 | Received <sup>2</sup><br>2015 | Expended <sup>3</sup><br>2015 | Closing<br>Balance <sup>1</sup><br>30-Jun-15 | Received <sup>2</sup><br>2016 | Expended <sup>3</sup><br>2016 | Closing<br>Balance<br>30-Jun-16 |
|--|---|-------------------------------|-------------------------------|--|-------------------------------|-------------------------------|---------------------------------|
| (d). Conditions Over Grants, Subsidies & Contributions (continued) |   |                               |                               |  |                               |                               |                                 |
| <b>Grant/Subsidy/Contribution (continued)</b>                      |   |                               |                               |  |                               |                               |                                 |
| <b><u>Governance (continued)</u></b>                               |   |                               |                               |  |                               |                               |                                 |
| Lighting Renewal   | -   | -                             | -                             | -  | 126,799                       | -                             | <b>126,799</b>                  |
| Lighting Up Lester Avenue  | -   | -                             | -                             | -  | 19,970                        | -                             | <b>19,970</b>                   |
| Little Athletics - Replace Doors/Frames                            | 10,000                                      | -                             | (10,000)                      | -  | -                             | -                             | -                               |
| Local Planning Strategy and Scheme                                 | -   | 37,476                        | -                             | <b>37,476</b>                                | -                             | (37,476)                      | -                               |
| Local Profile and Context Report Northern Planning Program         | -   | -                             | -                             | -  | 80,000                        | -                             | <b>80,000</b>                   |
| Mahomets Beach Bollards  | -   | -                             | -                             | -  | 9,438                         | -                             | <b>9,438</b>                    |
| Marine Terrace Cycling Enabling Facility                           | 13,011                                      | -                             | (13,011)                      | -  | -                             | -                             | -                               |
| Meru Landfill  | -   | 150,000                       | -                             | <b>150,000</b>                               | -                             | -                             | <b>150,000</b>                  |
| Mid West Gascoyne District Recovery Project                        | -   | 90,000                        | -                             | <b>90,000</b>                                | -                             | (81,402)                      | <b>8,598</b>                    |
| Mid West China Connect Website                                     | -   | 39,150                        | -                             | <b>39,150</b>                                | -                             | (31,200)                      | <b>7,950</b>                    |
| Mid West Estuaries - Creating Corridors for Wildlife - Project 1   | -   | -                             | -                             | -  | 9,091                         | -                             | <b>9,091</b>                    |
| Mid West Estuaries - Creating Corridors for Wildlife (Round 2)     | -   | -                             | -                             | -  | 59,500                        | -                             | <b>59,500</b>                   |
| Midnight Basketball  | 7,532                                       | -                             | (7,532)                       | -  | -                             | -                             | -                               |
| Morris Street Sump (a/c 7090113)                                   | -   | 111,000                       | -                             | <b>111,000</b>                               | -                             | (83,655)                      | <b>27,345</b>                   |
| Mullewa Building - Insurance Payment                               | -   | 450,000                       | -                             | <b>450,000</b>                               | -                             | -                             | <b>450,000</b>                  |
| Mullewa Community Trust  | 10,503                                      | 1,000                         | (10,503)                      | <b>1,000</b>                                 | -                             | (1,000)                       | -                               |
| Mullewa Dept LGRD (Indigenous Business Plan)                       | 30,000                                      | -                             | -                             | <b>30,000</b>                                | -                             | -                             | <b>30,000</b>                   |
| Mullewa Dept LGRD (Scholarship Grant)                              | 10,000                                      | -                             | -                             | <b>10,000</b>                                | -                             | -                             | <b>10,000</b>                   |
| Mullewa Landfill Transfer Station                                  | -   | -                             | -                             | -  | 504,000                       | -                             | <b>504,000</b>                  |
| Mullewa Sewerage System (CLGF Direct 2011-12)                      | 130,000                                     | -                             | (75,000)                      | <b>55,000</b>                                | -                             | (55,000)                      | -                               |

(continued on next page)

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 2. Operating Revenues and Expenses (continued)

| \$ '000   | Opening<br>Balance <sup>1</sup><br>1-Jul-14 | Received <sup>2</sup><br>2015 | Expended <sup>3</sup><br>2015 | Closing<br>Balance <sup>1</sup><br>30-Jun-15 | Received <sup>2</sup><br>2016 | Expended <sup>3</sup><br>2016 | Closing<br>Balance<br>30-Jun-16 |
|---|---|-------------------------------|-------------------------------|--|-------------------------------|-------------------------------|---------------------------------|
| <b>(d). Conditions Over Grants, Subsidies &amp; Contributions (continued)</b>       |   |                               |                               |  |                               |                               |                                 |
| <b>Grant/Subsidy/Contribution (continued)</b>                                       |   |                               |                               |  |                               |                               |                                 |
| <b><u>Governance (continued)</u></b>  |   |                               |                               |  |                               |                               |                                 |
| Mullewa Sewerage Pumping Mains  | -   | -                             | -                             | -  | 13,000                        | -                             | <b>13,000</b>                   |
| Mullewa Sewer System - Brookfield Rail  | 49,450                                      | -                             | -                             | <b>49,450</b>                                | -                             | -                             | <b>49,450</b>                   |
| Mullewa Town Revitalisation (CLGF Direct 2011-12)                                   | 30,000                                      | -                             | (30,000)                      | -  | -                             | -                             | -                               |
| Mullewa Youth Precinct  | -   | -                             | -                             | -  | 23,000                        | -                             | <b>23,000</b>                   |
| NACC Biodiversity Grant   | -   | -                             | -                             | -  | 11,000                        | -                             | <b>11,000</b>                   |
| National Tree Day   | -   | -                             | -                             | -  | 485                           | -                             | <b>485</b>                      |
| New Animal Facility Design  | 50,000                                      | -                             | -                             | <b>50,000</b>                                | -                             | -                             | <b>50,000</b>                   |
| Old Railway Building  | 1,090,316                                   | -                             | (1,090,316)                   | -  | -                             | -                             | -                               |
| Olympic Torch Relay   | 2,821                                       | -                             | -                             | <b>2,821</b>                                 | -                             | -                             | <b>2,821</b>                    |
| QEII - Enclose Walkway  | 30,000                                      | -                             | (30,000)                      | -  | -                             | -                             | -                               |
| QPT Line Array System   | -   | 100,060                       | -                             | <b>100,060</b>                               | -                             | (100,060)                     | -                               |
| QPT New Building  | -   | -                             | -                             | -  | 59,680                        | -                             | <b>59,680</b>                   |
| QPT Renewal   | -   | -                             | -                             | -  | 28,615                        | -                             | <b>28,615</b>                   |
| Parking Facilities Replace Modems   | -   | -                             | -                             | -  | 11,400                        | -                             | <b>11,400</b>                   |
| Point Moore Study   | -   | -                             | -                             | -  | 86,000                        | -                             | <b>86,000</b>                   |
| Railway Carriage Shed   | 16,500                                      | -                             | (16,500)                      | -  | -                             | -                             | -                               |
| Randolf Stow Young Writers Awards   | 1,625                                       | -                             | -                             | <b>1,625</b>                                 | 2,773                         | (1,625)                       | <b>2,773</b>                    |
| Recurrent Grants  | -   | 54,680                        | -                             | <b>54,680</b>                                | -                             | (53,380)                      | <b>1,300</b>                    |
| Regional Venues Improvement Funds - QPT   | -   | -                             | -                             | -  | 9,013                         | -                             | <b>9,013</b>                    |
| Restoring the Chapman & Greenough - Estuaries of the Mid West - Stage 2 (Project 1) | -   | -                             | -                             | -  | 10,000                        | -                             | <b>10,000</b>                   |

(continued on next page)

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 2. Operating Revenues and Expenses (continued)

| \$ '000   | Opening<br>Balance <sup>1</sup><br>1-Jul-14 | Received <sup>2</sup><br>2015 | Expended <sup>3</sup><br>2015 | Closing<br>Balance <sup>1</sup><br>30-Jun-15 | Received <sup>2</sup><br>2016 | Expended <sup>3</sup><br>2016 | Closing<br>Balance<br>30-Jun-16 |
|---|---|-------------------------------|-------------------------------|--|-------------------------------|-------------------------------|---------------------------------|
| <b>(d). Conditions Over Grants, Subsidies &amp; Contributions (continued)</b>       |   |                               |                               |  |                               |                               |                                 |
| <b>Grant/Subsidy/Contribution (continued)</b>                                       |   |                               |                               |  |                               |                               |                                 |
| <b>Governance (continued)</b>   |   |                               |                               |  |                               |                               |                                 |
| Restoring the Chapman & Greenough - Estuaries of the Mid West - Stage 2 (Project 2) | -   | -                             | -                             | -  | 9,091                         | -                             | 9,091                           |
| Retention Amounts (EVO, Convic and Mitchell & Brown)                                | -   | 32,209                        | -                             | 32,209                                       | 40,034                        | -                             | 72,243                          |
| RoadWise - Strengthening Communities  | -   | -                             | -                             | -  | 4,452                         | -                             | 4,452                           |
| Roadwise Safe Routes To Schools - Bike Map  | 367   | -                             | -                             | 367  | -                             | -                             | 367                             |
| Roadwise Safe Routes To Schools- Surplus  | 689   | -                             | -                             | 689  | -                             | -                             | 689                             |
| Rundle Park Bollards  | -   | -                             | -                             | -  | 9,993                         | -                             | 9,993                           |
| Stillwater Ave Asphalt Overlay  | -   | -                             | -                             | -  | 14,573                        | -                             | 14,573                          |
| RV Waste Dump Point   | -   | -                             | -                             | -  | 106,928                       | -                             | 106,928                         |
| South Tomi Project  | 8,000                                       | -                             | -                             | 8,000  | -                             | -                             | 8,000                           |
| Sumfun  | 4,460                                       | -                             | (1,825)                       | 2,635  | -                             | (2,635)                       | -                               |
| Town Foreshore Playground Softfall  | -   | -                             | -                             | -  | 22,760                        | -                             | 22,760                          |
| Verita Road Bridge  | -   | -                             | -                             | -  | 201,816                       | -                             | 201,816                         |
| Walkaway Hall - Electrical Upgrade and Soak Wells                                   | 12,000                                      | -                             | (12,000)                      | -  | -                             | -                             | -                               |
| Waste Water Management Plan   | 9,212                                       | -                             | (9,212)                       | -  | -                             | -                             | -                               |
| West End Recreation   | -   | 2,000,000                     | (85,477)                      | 1,914,523                                    | 67,355                        | (1,914,523)                   | 67,355                          |
| Whitfield Street Asphalt Overlay  | -   | -                             | -                             | -  | 11,050                        | -                             | 11,050                          |
| Wonthella Football Oval - Carpark Linemarking                                       | -   | -                             | -                             | -  | 25,172                        | -                             | 25,172                          |
| Wonthella Skate Park  | -   | 54,734                        | -                             | 54,734                                       | -                             | (54,734)                      | -                               |
| Wonthella Tennis Ablutions  | 5,250                                       | -                             | (5,250)                       | -  | -                             | -                             | -                               |
| Youth Friendly Communities Project - Stage 2  | -   | 10,000                        | -                             | 10,000                                       | -                             | -                             | 10,000                          |
| Beresford Foreshore Coastal Protection and Enhancement <sup>(5)</sup>               | 5,857,500                                   | -                             | -                             | 5,857,500                                    | 13,179,702                    | (1,708,242)                   | 17,328,960                      |
| Building Better Regional Cities: Karloo - Wandina Project <sup>(5)</sup>            | 4,962,300                                   | -                             | -                             | 4,962,300                                    | 208,074                       | (4,492,300)                   | 678,074                         |
| Wonthella Oval Lighting <sup>(5)</sup>  | -   | 649,000                       | -                             | 649,000                                      | 12,440                        | (59,000)                      | 602,440                         |
| <b>Total Unspent Grants, Subsidies &amp; Contributions</b>                          | <b>24,246,428</b>                           | <b>9,061,626</b>              | <b>(8,006,215)</b>            | <b>25,301,839</b>                            | <b>18,569,115</b>             | <b>(17,361,222)</b>           | <b>26,509,732</b>               |

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 2. Operating Revenues and Expenses (continued)

\$ '000

##### (d). Conditions Over Grants, Subsidies & Contributions (continued)

###### Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous period.
- (2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.
- (4) - Grants received but not expected to be fully expended in the next financial year.
- (5) - Funding is provided under a Royalties for Region - Financial Assistance Agreement between the Department of Regional Development and the City of Greater Geraldton. The full amount of the Funding provided under this Agreement is required to be invested by the City of Greater Geraldton with the Western Australian Treasury Corporation (WATC) until expended as per agreed and approved budget. Under the conditions of the agreement the City has opened a separate Overnight Cash Deposit Facility (OCDF) that gives the City access to the funds at call. The Department of Regional Development is joint signatory to the WATC ODCF account related to the funding and all withdrawals/drawdowns will require the approved signatures of both the Department and the City before WATC will release the funds. Interest received on the ODCF is recognised as liability and added to the Unexpended Non-Operating Grants account to be utilised for the Project in accordance with the Financial Assistance Agreement.
- (6) - Economic Dependency  
A significant portion of revenue is received by way of grants from the State and Federal Government. The total of grant revenue from government sources is disclosed within the Statement of Comprehensive Income.

## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 3. Cash and Cash Equivalents

| \$ '000  | Notes | 2016<br>Actual           | 2015<br>Actual           |
|--|-------|--------------------------|--------------------------|
| Cash - Unrestricted  |       | 9,163,374                | 4,516,282                |
| Cash - Restricted  |       | 28,937,204               | 28,285,702               |
| <b>Total Cash and Cash Equivalents</b>   | 14(a) | <b><u>38,100,578</u></b> | <b><u>32,801,983</u></b> |
| <b>The following restrictions have been imposed by regulations or other externally imposed requirements:</b> |       |                          |                          |
| Mullewa Community Reserve  | 12    | -                        | 556,390                  |
| Mullewa Reseal Reserve   | 12    | 1,891,285                | 1,891,285                |
| Parking Land Reserve   | 12    | 536,187                  | 536,187                  |
| Unexpended Capital Works & Restricted Grant Reserve  | 12    | 7,900,259                | 13,833,040               |
| <b>Total Reserves</b>  |       | <b><u>10,327,731</u></b> | <b><u>16,816,902</u></b> |
| Unspent Grants   | 2(d)  | 18,609,473               | 11,468,800               |
| <b>Total Unspent Grants and Loans</b>  |       | <b><u>18,609,473</u></b> | <b><u>11,468,800</u></b> |
| <b>Total Restricted Cash</b>   |       | <b><u>28,937,204</u></b> | <b><u>28,285,702</u></b> |

#### Note 4. Investments

|  |      |                 |                       |
|--|------|-----------------|-----------------------|
| <b>Financial Assets at Fair Value through Profit and Loss</b>              |      | <b><u>-</u></b> | <b><u>266,241</u></b> |
| <b>Movements in Financial Assets at Fair Value through Profit and Loss</b> |      |                 |                       |
| <b>At beginning of the year</b>  |      | 266,241         | 333,395               |
| Revaluation to Statement of Comprehensive Income                           | 2(a) | 326,046         | (67,154)              |
| Disposals  |      | (592,287)       | -                     |
| <b>At end of the year</b>  |      | <b><u>-</u></b> | <b><u>266,241</u></b> |
| <b>Total Investments</b>   |      | <b><u>-</u></b> | <b><u>266,241</u></b> |
| <b>Classified as:</b>  |      |                 |                       |
| Current  |      | -               | 266,241               |
| Non-Current  |      | -               | -                     |
| <b>Total Investments</b>   |      | <b><u>-</u></b> | <b><u>266,241</u></b> |



## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 5. Trade &amp; Other Receivables

| \$ '000  | Notes | 2016<br>Actual          | 2015<br>Actual          |
|--|-------|-------------------------|-------------------------|
| <b>Current</b>   |       |                         |                         |
| Rates  |       | 3,335,668               | 3,107,675               |
| Sundry Debtors   |       | 1,622,068               | 1,972,383               |
| GST Net Position                                       |       | 287,911                 | 471,252                 |
| Interest   |       | 19,137                  | 25,237                  |
| Self Supporting Loan Debtors                           |       | 86,741                  | 81,748                  |
| Accrued Income   |       | 383,982                 | -                       |
| Prepayments  |       | 109,484                 | 181,961                 |
| Loans by Council                                       |       | -                       | 37,629                  |
| Provision for Doubtful Debts                           |       | (72,776)                | (8,659)                 |
| <b>Total Current Trade &amp; Other Receivables</b>     |       | <b><u>5,772,216</u></b> | <b><u>5,869,226</u></b> |
| <b>Non-Current</b>                                     |       |                         |                         |
| Rates Outstanding - Pensioners                         |       | 360,615                 | 283,216                 |
| Self Supporting Loan Debtors                           |       | 239,158                 | 325,899                 |
| <b>Total Non-Current Trade &amp; Other Receivables</b> |       | <b><u>599,772</u></b>   | <b><u>609,115</u></b>   |

## Note 6. Inventories

|                                      |      |                       |                         |
|--------------------------------------|------|-----------------------|-------------------------|
| <b>Current</b>                       |      |                       |                         |
| Fuel and Materials                   |      | 308,394               | 317,190                 |
| Land Held for Resale - Cost          |      |                       |                         |
| Resalable Merchandise                |      | 151,249               | 135,508                 |
| <b>Total Current Inventories</b>     |      | <b><u>459,643</u></b> | <b><u>452,698</u></b>   |
| <b>Non-Current</b>                   |      |                       |                         |
| Land Held for Resale - Cost          |      |                       |                         |
| - Development Costs                  | 7(b) | -                     | 7,206,673               |
| <b>Total Non-Current Inventories</b> |      | <b><u>-</u></b>       | <b><u>7,206,673</u></b> |

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 7a. Property, Plant and Equipment

| \$ '000  | Notes | 2016<br>Actual            | 2015<br>Actual            |
|--|-------|---------------------------|---------------------------|
| Land - Fair Value  |       | 81,825,607                | 80,488,168                |
| Land - Cost (Additions at fair value)                    |       | 8,135,585                 | -                         |
|  |       | <u>89,961,192</u>         | <u>80,488,168</u>         |
| Buildings - Fair Value                                   |       | 97,734,052                | 97,924,353                |
| Buildings - Cost (Additions at fair value)               |       | 10,864,266                | -                         |
| Less Accumulated Depreciation                            |       | (3,062,183)               | -                         |
|  |       | <u>105,536,134</u>        | <u>97,924,353</u>         |
| Furniture and Equipment - Fair Value                     |       | 950,556                   | 2,210,221                 |
| Furniture and Equipment - Cost (Additions at fair value) |       | 281,064                   | 665,689                   |
| Less Accumulated Depreciation                            |       | (26,791)                  | (1,369,310)               |
|  |       | <u>1,204,828</u>          | <u>1,506,600</u>          |
| Plant and Equipment - Fair Value                         |       | 8,113,531                 | 12,799,301                |
| Plant and Equipment - Cost (Additions at fair value)     |       | 2,183,495                 | 1,271,866                 |
| Less Accumulated Depreciation                            |       | (160,829)                 | (3,657,416)               |
|  |       | <u>10,136,197</u>         | <u>10,413,751</u>         |
| Artwork - Fair Value                                     |       | 608,926                   | 619,690                   |
|  |       | <u>608,926</u>            | <u>619,690</u>            |
| <b>Total Property, Plant &amp; Equipment</b>             | 7(b)  | <u><u>207,447,278</u></u> | <u><u>190,952,562</u></u> |

## City of Greater Geraldton

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 7b. Property, Plant and Equipment (continued)

## Movements in Carrying Amounts

| \$ '000  | Notes | Land              | Buildings          | Furniture and Equipment | Plant and Equipment | Artwork        | Total              |
|--|-------|-------------------|--------------------|-------------------------|---------------------|----------------|--------------------|
|  |       | Fair Value        | Fair Value         | Fair Value              | Fair Value          | Fair Value     |                    |
| Balance as at 1 July 2015                              |       | 80,488,168        | 97,924,353         | 1,506,600               | 10,413,751          | 619,690        | 190,952,562        |
| Additions  |       |                   |                    |                         |                     |                |                    |
| - Renewal  | 20    | -                 | 1,603,753          | 54,809                  | 2,183,495           | -              | 3,842,056          |
| - New  | 20    | 862,622           | 9,260,513          | 226,255                 | -                   | -              | 10,349,390         |
| Disposals  | 21    | (624,514)         | (52,822)           | (699,579)               | (903,540)           | (7,175)        | (2,287,630)        |
| Revaluation - Increments                               | 13    | 1,961,953         | -                  | -                       | 121,332             | -              | 2,083,285          |
| Revaluation - (Decrements)                             | 13    | -                 | (128,184)          | -                       | -                   | (3,590)        | (131,774)          |
| Depreciation   | 2(a)  | -                 | (3,071,695)        | (390,086)               | (2,218,542)         | -              | (5,680,323)        |
| Depreciation on Disposal                               |       | -                 | 216                | 697,336                 | 349,195             | -              | 1,046,748          |
| Transfers  |       | -                 | -                  | (190,506)               | 190,506             | -              | -                  |
| Reclassification Land Held for Resale                  |       | 7,272,963         | -                  | -                       | -                   | -              | 7,272,963          |
| <b>Property, Plant &amp; Equipment at 30 June 2016</b> |       | <b>89,961,192</b> | <b>105,536,134</b> | <b>1,204,829</b>        | <b>10,136,197</b>   | <b>608,926</b> | <b>207,447,278</b> |
| Balance as at 1 July 2014                              |       | 56,704,119        | 90,750,761         | 965,453                 | 11,847,911          | 882,355        | 161,150,599        |
| Additions  |       |                   |                    |                         |                     |                |                    |
| - Renewal  | 20    | -                 | 1,357,901          | 665,689                 | 1,271,866           | -              | 3,295,456          |
| - New  | 20    | 470,478           | 5,898,967          | -                       | -                   | 27,440         | 6,396,885          |
| Disposals  | 21    | (500,000)         | (222,370)          | (100,424)               | (778,644)           | -              | (1,601,437)        |
| Revaluation - Increments                               | 13    | 23,813,571        | 2,966,932          | -                       | -                   | -              | 26,780,503         |
| Revaluation - (Decrements)                             | 13    | -                 | -                  | -                       | -                   | (290,105)      | (290,105)          |
| Depreciation   | 2(a)  | -                 | (2,907,985)        | (365,812)               | (1,903,632)         | -              | (5,177,429)        |
| Depreciation on Disposal                               |       | -                 | 80,146             | 100,424                 | 217,520             | -              | 398,090            |
| Other Movements  |       | -                 | -                  | 241,270                 | (241,270)           | -              | -                  |
| <b>Property, Plant &amp; Equipment at 30 June 2015</b> |       | <b>80,488,168</b> | <b>97,924,353</b>  | <b>1,506,600</b>        | <b>10,413,751</b>   | <b>619,690</b> | <b>190,952,562</b> |

## City of Greater Geraldton

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 8a. Infrastructure

| \$ '000                       | Notes | 2016<br>Actual            | 2015<br>Actual            |
|-------------------------------|-------|---------------------------|---------------------------|
| Roads - Fair Value            |       | 567,776,619               | 567,776,619               |
| Roads - Fair Value            |       | 14,982,935                | -                         |
| Less Accumulated Depreciation |       | <u>(14,919,685)</u>       | <u>-</u>                  |
|                               |       | 567,839,869               | 567,776,619               |
| Recreation - Fair Value       |       | 30,552,746                | 30,552,746                |
| Recreation - Fair Value       |       | 5,566,031                 | -                         |
| Less Accumulated Depreciation |       | <u>(592,464)</u>          | <u>-</u>                  |
|                               |       | 35,526,313                | 30,552,746                |
| Car Parks - Fair Value        |       | 11,044,634                | 11,044,634                |
| Car Parks - Fair Value        |       | 378,111                   | -                         |
| Less Accumulated Depreciation |       | <u>(437,953)</u>          | <u>-</u>                  |
|                               |       | 10,984,792                | 11,044,634                |
| Meru Landfill - Fair Value    |       | 13,650,547                | 13,719,797                |
| Meru Landfill - Fair Value    |       | 202,736                   | -                         |
| Less Accumulated Depreciation |       | <u>(354,176)</u>          | <u>-</u>                  |
|                               |       | 13,499,106                | 13,719,797                |
| Airport - Fair Value          |       | 26,834,300                | 26,834,300                |
| Airport - Fair Value          |       | 730,832                   | -                         |
| Less Accumulated Depreciation |       | <u>(575,103)</u>          | <u>-</u>                  |
|                               |       | 26,990,030                | 26,834,300                |
| Effluent Scheme - Cost        |       | 268,477                   | 268,477                   |
| Effluent Scheme - Cost        |       | 42,075                    | -                         |
| Less Accumulated Amortisation |       | <u>(80,308)</u>           | <u>(72,342)</u>           |
|                               |       | 230,244                   | 196,136                   |
| <b>Total Infrastructure</b>   | 8(b)  | <u><u>655,070,354</u></u> | <u><u>650,124,232</u></u> |

## City of Greater Geraldton

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 8b. Infrastructure (continued)

## Movements in Carrying Amounts

| \$ '000                               | Notes | Roads              | Recreation        | Car Parks         | Meru Landfill     | Airport           | Effluent Scheme | Total              |
|---------------------------------------|-------|--------------------|-------------------|-------------------|-------------------|-------------------|-----------------|--------------------|
|                                       |       | Fair Value         | Fair Value        | Fair Value        | Fair Value        | Fair Value        | Cost            |                    |
| Balance as at 1 July 2015             |       | 567,776,619        | 30,552,746        | 11,044,634        | 13,719,797        | 26,834,300        | 196,136         | 650,124,232        |
| Additions                             |       |                    |                   |                   |                   |                   |                 |                    |
| - Renewal                             | 20    | 9,326,461          | 913,976           | 257,077           | 64,408            | 149,714           | 42,075          | 10,753,710         |
| - New                                 | 20    | 5,656,474          | 4,652,055         | 121,034           | 138,327           | 581,118           | -               | 11,149,008         |
| Depreciation (Expense)                | 2(a)  | (14,919,685)       | (592,464)         | (437,953)         | (354,176)         | (575,103)         | (7,966)         | (16,887,347)       |
| Other Movements                       |       | -                  | -                 | -                 | (69,250)          | -                 | -               | (69,250)           |
| <b>Infrastructure at 30 June 2016</b> |       | <b>567,839,869</b> | <b>35,526,313</b> | <b>10,984,792</b> | <b>13,499,106</b> | <b>26,990,029</b> | <b>230,244</b>  | <b>655,070,354</b> |
| Balance as at 1 July 2014             |       | 392,394,536        | 30,449,032        | 3,012,523         | 12,642,680        | 16,944,501        | 191,165         | 455,634,436        |
| Additions                             |       |                    |                   |                   |                   |                   |                 |                    |
| - Renewal                             | 20    | 7,159,057          | 942,636           | 202,312           | 22,985            | 244,813           | 11,673          | 8,583,476          |
| - New                                 | 20    | 5,720,221          | 3,135,262         | -                 | -                 | 421,600           | -               | 9,277,084          |
| Revaluation - Increments              | 13    | 173,743,157        | -                 | 8,072,200         | 926,045           | 9,609,463         | -               | 192,350,865        |
| Impairment - (Losses)                 |       | -                  | (3,198,741)       | -                 | -                 | -                 | -               | (3,198,741)        |
| Depreciation (Expense)                | 2(a)  | (11,240,352)       | (775,444)         | (242,401)         | (389,804)         | (386,076)         | (6,702)         | (13,040,779)       |
| Other Movements                       |       | -                  | -                 | -                 | 517,891           | -                 | -               | 517,891            |
| <b>Infrastructure at 30 June 2015</b> |       | <b>567,776,619</b> | <b>30,552,746</b> | <b>11,044,634</b> | <b>13,719,797</b> | <b>26,834,300</b> | <b>196,136</b>  | <b>650,124,232</b> |

## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 9. Trade and Other Payables

| \$ '000                                       | 2016<br>Actual           | 2015<br>Actual           |
|---|--------------------------|--------------------------|
| <b>Current</b>                                |                          |                          |
| Sundry Creditors                              | 8,039,950                | 6,067,497                |
| Accrued Interest on Debentures                | 164,783                  | 142,305                  |
| Accrued Salaries and Wages                    | 264,606                  | 35,688                   |
| Unexpended Non-Operating Grants               | 18,609,473               | 11,706,789               |
| <b>Total Current Trade and Other Payables</b> | <b><u>27,078,812</u></b> | <b><u>17,952,279</u></b> |

#### Note 10. Borrowings

|  |                          |                          |
|--|--------------------------|--------------------------|
| <b>Current</b>                             |                          |                          |
| Secured by Floating Charge<br>- Debentures | 23(a) <u>3,748,422</u>   | <u>3,034,459</u>         |
| <b>Total Current Borrowings</b>            | <b><u>3,748,422</u></b>  | <b><u>3,034,459</u></b>  |
| <b>Non-Current</b>                         |                          |                          |
| Secured by Floating Charge<br>- Debentures | 23(a) <u>24,151,530</u>  | <u>19,093,956</u>        |
| <b>Total Non-Current Borrowings</b>        | <b><u>24,151,530</u></b> | <b><u>19,093,956</u></b> |

Additional detail on borrowings is provided in Note 23.

#### Note 11. Provisions

|  |                         |                         |
|--|-------------------------|-------------------------|
| <b>Current</b>                                     |                         |                         |
| Annual Leave                                       | 2,257,339               | 2,378,624               |
| Long Service Leave                                 | 1,701,826               | 1,771,355               |
| Sick Leave   | 435,932                 | 472,889                 |
| Accrued RDO's                                      | 44,376                  | 43,018                  |
| <b>Total Current Provisions</b>                    | <b><u>4,439,473</u></b> | <b><u>4,665,886</u></b> |
| <b>Non-Current</b>                                 |                         |                         |
| Long Service Leave                                 | 339,260                 | 311,863                 |
| Provision for Infrastructure Meru - Rehabilitation | 9,195,308               | 9,264,558               |
| <b>Total Non-Current Provisions</b>                | <b><u>9,534,568</u></b> | <b><u>9,576,421</u></b> |

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 12. Reserves - Cash/Investment Backed

| \$ '000   | 2016<br>Actual             | 2016<br>Budget            | 2015<br>Actual            |
|---|----------------------------|---------------------------|---------------------------|
| <b>(a). Mullewa Community Reserve</b>                               |                            |                           |                           |
| Opening Balance   | 556,390                    | 556,390                   | 556,390                   |
| Amount Used / Transfer from Reserve                                 | (556,390)                  | -                         | -                         |
|   | <u>-</u>                   | <u>556,390</u>            | <u>556,390</u>            |
| <b>(b). Mullewa Reseal Reserve</b>                                  |                            |                           |                           |
| Opening Balance   | 1,891,285                  | 1,891,285                 | 1,891,285                 |
|   | <u>1,891,285</u>           | <u>1,891,285</u>          | <u>1,891,285</u>          |
| <b>(c). Parking Land Reserve</b>                                    |                            |                           |                           |
| Opening Balance   | 536,187                    | 381,700                   | 381,700                   |
| Amount Set Aside / Transfer to Reserve                              | -                          | -                         | 154,487                   |
|   | <u>536,187</u>             | <u>381,700</u>            | <u>536,187</u>            |
| <b>(d). Unexpended Capital Works &amp; Restricted Grant Reserve</b> |                            |                           |                           |
| Opening Balance   | 13,833,040                 | 9,105,886                 | 13,426,629                |
| Amount Set Aside / Transfer to Reserve                              | 5,168,900                  | -                         | 8,412,626                 |
| Amount Used / Transfer from Reserve                                 | (11,101,680)               | (8,133,496)               | (8,006,214)               |
|   | <u>7,900,259</u>           | <u>972,390</u>            | <u>13,833,040</u>         |
| <b>Total Reserves</b>   | <u><u>10,327,731</u></u>   | <u><u>3,801,765</u></u>   | <u><u>16,816,902</u></u>  |
| <b><u>Summary of Reserve Transfers</u></b>                          |                            |                           |                           |
| <b>Transfers to Reserves</b>  |                            |                           |                           |
| Parking Land Reserve  | -                          | -                         | 154,487                   |
| Unexpended Capital Works & Restricted Grant Reserve                 | 5,168,900                  | -                         | 8,412,626                 |
| <b>Total Transfers to Reserves</b>                                  | <u><b>5,168,900</b></u>    | <u><b>-</b></u>           | <u><b>8,567,113</b></u>   |
| <b>Transfers from Reserves</b>                                      |                            |                           |                           |
| Mullewa Community Reserve   | (556,390)                  | -                         | -                         |
| Unexpended Capital Works & Restricted Grant Reserve                 | (11,101,680)               | (8,133,496)               | (8,006,214)               |
| <b>Total Transfers from Reserves</b>                                | <u><b>(11,658,070)</b></u> | <u><b>(8,133,496)</b></u> | <u><b>(8,006,214)</b></u> |
| <b>Total Net Transfer to/(from) Reserves</b>                        | <u><b>(6,489,170)</b></u>  | <u><b>(8,133,496)</b></u> | <u><b>560,899</b></u>     |

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 12. Reserves - Cash/Investment Backed (continued)

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\$ '000

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All of the cash backed reserve accounts are supported by money held in financial institutions and match the amounts shown as restricted cash in Note 3 and 4 to this financial report.

In accordance with council resolutions in relation to each reserve account, the purpose for which the reserves are set aside are as follows:

##### **Mullewa Community Reserve**

The purpose of this reserve is to provide funding towards any projects or initiatives that support the recreational, social or cultural needs of the Mullewa Community.

##### **Mullewa Reseal Reserve**

The purpose of this reserve is to comply with clause 14.2 of the public road access agreement between the former Shire of Mullewa (now the City of Greater Geraldton) and Mount Gibson Mining Ltd.

##### **Parking Land Reserve**

The purpose of this reserve is to build up funds that can then be used for the acquisition of land for car parking and provision of parking bays within the City.

##### **Unexpended Capital Works & Restricted Grant Reserve**

The purpose of this reserve is to restrict grant funds received that were unspent in the financial year including any tied contribution from the City plus any unexpended capital works to be carried over to the next financial

All of the reserve accounts are supported by money held in financial institutions and match the amounts shown as restricted cash in this financial report.



## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 13. Reserves - Asset Revaluation

| \$ '000   | Notes | 2016<br>Actual     | 2015<br>Actual     |
|---|-------|--------------------|--------------------|
| Asset revaluation reserves have arisen on revaluation of the following classes of assets: |       |                    |                    |
| <b>(a). Land</b>  |       |                    |                    |
| Opening Balance   |       | 53,180,786         | 29,367,215         |
| Revaluation Increment   | 7(b)  | 1,961,953          | 23,813,571         |
|   |       | <b>55,142,739</b>  | <b>53,180,786</b>  |
| <b>(b). Buildings</b>   |       |                    |                    |
| Opening Balance   |       | 48,900,268         | 45,933,336         |
| Revaluation Increment   | 7(b)  | -                  | 2,966,932          |
| Revaluation Decrement   | 7(b)  | (128,184)          | -                  |
|   |       | <b>48,772,084</b>  | <b>48,900,268</b>  |
| <b>(c). Plant and Equipment</b>   |       |                    |                    |
| Opening Balance   |       | 1,480,038          | 1,480,038          |
| Revaluation Increment   | 7(b)  | 121,332            | -                  |
|   |       | <b>1,601,370</b>   | <b>1,480,038</b>   |
| <b>(d). Artwork</b>   |       |                    |                    |
| Opening Balance   |       | 155,660            | 445,765            |
| Revaluation Decrement   | 7(b)  | (3,590)            | (290,105)          |
|   |       | <b>152,071</b>     | <b>155,660</b>     |
| <b>(e). Roads</b>   |       |                    |                    |
| Opening Balance   |       | 373,003,794        | 199,260,637        |
| Revaluation Increment   | 8(b)  | -                  | 173,743,157        |
|   |       | <b>373,003,794</b> | <b>373,003,794</b> |
| <b>(f). Car Parks</b>   |       |                    |                    |
| Opening Balance   |       | 10,830,969         | 2,758,769          |
| Revaluation Increment   | 8(b)  | -                  | 8,072,200          |
|   |       | <b>10,830,969</b>  | <b>10,830,969</b>  |
| <b>(g). Meru Landfill</b>   |       |                    |                    |
| Opening Balance   |       | 1,142,037          | 215,992            |
| Revaluation Increment   | 8(b)  | -                  | 926,045            |
|   |       | <b>1,142,037</b>   | <b>1,142,037</b>   |
| <b>(h). Airport</b>   |       |                    |                    |
| Opening Balance   |       | 16,077,123         | 6,467,660          |
| Revaluation Increment   | 8(b)  | -                  | 9,609,463          |
|   |       | <b>16,077,123</b>  | <b>16,077,123</b>  |
| <b>Total Asset Revaluation Reserves</b>   |       | <b>506,722,186</b> | <b>504,770,675</b> |

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 14. Notes to the Statement of Cash flows

| \$ '000 | Notes | 2016<br>Actual | 2016<br>Budget | 2015<br>Actual |
|---------|-------|----------------|----------------|----------------|
|---------|-------|----------------|----------------|----------------|

##### (a). Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

|                           |   |                   |                  |                   |
|---------------------------|---|-------------------|------------------|-------------------|
| Cash and Cash Equivalents | 3 | <u>38,100,578</u> | <u>7,685,854</u> | <u>32,801,983</u> |
|---------------------------|---|-------------------|------------------|-------------------|

##### (b). Reconciliation of Net Cash Provided By Operating Activities to Net Result

|   |  |                          |                          |                          |
|---|--|--------------------------|--------------------------|--------------------------|
| Net Result  |  | 2,585,793                | 12,133,632               | 4,351,623                |
| Impairment of Assets                                |  | -                        | -                        | 3,198,741                |
| Depreciation  |  | 22,567,669               | 22,023,657               | 18,218,207               |
| Write Down (Up) in Fair Value of Investments        |  | (326,046)                | -                        | 67,154                   |
| (Profit)/Loss on Sale of Assets                     |  | 212,699                  | 16,485                   | (105,066)                |
| Other Non Cash Movements                            |  | (7,178,302)              | -                        | (649,000)                |
| Decrease/(Increase) in Receivables                  |  | (39,512)                 | (327,017)                | (1,016,625)              |
| Increase/(Decrease) in Provision for Doubtful Debts |  | 64,117                   | -                        | (9,104)                  |
| Decrease/(Increase) in Inventories                  |  | (6,944)                  | (57,124)                 | (14,609)                 |
| Increase/(Decrease) in Payables & Accruals          |  | 9,104,055                | 312,132                  | 3,526,367                |
| Increase/(Decrease) in Accrued Interest Payable     |  | 22,478                   | -                        | (10,887)                 |
| Increase/(Decrease) in Employee Leave Entitlements  |  | (163,415)                | 250,000                  | 75,087                   |
| Increase/(Decrease) in Other Provisions             |  | (104,850)                | -                        | 462,262                  |
| Grants/Contributions for the Development of Assets  |  | <u>(11,600,846)</u>      | <u>(19,689,063)</u>      | <u>(6,036,624)</u>       |
| <b>Net Cash from Operating Activities</b>           |  | <u><b>15,136,895</b></u> | <u><b>14,662,702</b></u> | <u><b>22,057,525</b></u> |

##### (c). Undrawn Borrowing Facilities Credit Standby Arrangements

|                                      |  |                         |                         |                         |
|--------------------------------------|--|-------------------------|-------------------------|-------------------------|
| Group Credit Facility                |  | 6,000,000               | 6,000,000               | 6,000,000               |
| Bank Overdraft Limit                 |  | 750,000                 | 750,000                 | 750,000                 |
| Credit Card Limit                    |  | 115,000                 | 115,000                 | 115,000                 |
| Credit Card Balance at Balance Date  |  | (12,242)                | -                       | (13,404)                |
| <b>Total Amount of Credit Unused</b> |  | <u><b>6,852,758</b></u> | <u><b>6,865,000</b></u> | <u><b>6,851,596</b></u> |

##### Security

The Commonwealth Bank of Australia holds a mortgage over Council's rates revenue.

##### Loan Facilities

|  |    |                          |  |                          |
|--|----|--------------------------|--|--------------------------|
| Loan Facilities - Current                      | 10 | 3,748,422                |  | 3,034,459                |
| Loan Facilities - Non-Current                  | 10 | 24,151,530               |  | 19,093,956               |
| <b>Total Facilities in Use at Balance Date</b> |    | <u><b>27,899,951</b></u> |  | <u><b>22,128,415</b></u> |

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Contingent Liabilities

\$ '000

The City of Geraldton has entered into an agreement with the Public Transport Authority to indemnify Brookfield Rail for 40% of the cost of modification to the rail Bridge No. 5371 (Abraham Street) contingent on changes to container heights (double stacking). The term of the indemnity expires on the date of expiry of the current lease Brookfield Rails holds over the Rail Corridor (2049).

The likelihood of such an event to occur is considered to be remote.

#### Note 16. Capital and Leasing Commitments

##### (a). Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

##### Payable:

|   |                |                |
|---|----------------|----------------|
| - not later than one year                           | 77,624         | 59,953         |
| - later than one year but not later than five years | 173,921        | 154,651        |
| - later than five years                             | -              | -              |
| <b>Total Operating Lease Commitments</b>            | <b>251,546</b> | <b>214,604</b> |

##### (b). Capital Expenditure Commitments

##### Contracted for:

|  |                  |                  |
|--|------------------|------------------|
| - capital expenditure projects               | 3,157,825        | 1,683,934        |
| - land and buildings                         | -                | 6,545,644        |
| - plant & equipment purchases                | 371,520          | 412,280          |
| <b>Total Capital Expenditure Commitments</b> | <b>3,529,345</b> | <b>8,641,858</b> |

##### Payable:

|   |                  |                  |
|---|------------------|------------------|
| - not later than one year                           | 3,529,345        | 8,641,858        |
| - later than one year but not later than five years | -                | -                |
| - later than five years                             | -                | -                |
| <b>Total Capital Expenditure Commitments</b>        | <b>3,529,345</b> | <b>8,641,858</b> |

Capital expenditure commitments at the end of the current reporting period are mainly related to rural roads (Mulleter) flood damage repairs.

#### Note 17. Subsidiaries, Joint Arrangements & Associates

Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 18. Trust Funds

| \$ '000   | Balance<br>1-Jul-15     | Amounts<br>Received     | Amounts<br>Paid           | Balance<br>30-Jun-16    |
|---|-------------------------|-------------------------|---------------------------|-------------------------|
| BCITF   | 47,004                  | 195,619                 | (222,318)                 | 20,305                  |
| BSL - Building Services Levy (BRB)              | 20,497                  | 183,773                 | (185,345)                 | 18,926                  |
| Refundable Bonds                                | 253,100                 | 33,289                  | (88,805)                  | 197,584                 |
| Verge/Footpath Bonds                            | 125,865                 | 17,900                  | (25,850)                  | 117,915                 |
| Subdivision & Road Deposits                     | 1,638,811               | 153,831                 | (340,467)                 | 1,452,174               |
| Election Nomination Deposits                    | -                       | 2,000                   | (2,000)                   | -                       |
| Unclaimed Monies                                | 10,607                  | 235                     | (528)                     | 10,314                  |
| Community/Sporting Groups                       | 47,684                  | -                       | (47,684)                  | -                       |
| Roadwise Community Grants                       | 134                     | -                       | -                         | 134                     |
| Sundry  | 43,412                  | -                       | (8,033)                   | 35,379                  |
| DUP Contributions - Cape Burney                 | 26,997                  | 933                     | -                         | 27,931                  |
| DUP Contributions - Drummond Cove               | 381,433                 | 13,187                  | -                         | 394,620                 |
| DUP Contributions - Spalding                    | 32,672                  | 1,130                   | -                         | 33,802                  |
| DUP Contributions - Strathalbyn                 | 130,348                 | 4,506                   | -                         | 134,855                 |
| DUP Contributions - Mt Tarcoola                 | 38,387                  | 1,327                   | -                         | 39,715                  |
| DUP Contributions - Wandina                     | 94,266                  | 3,259                   | -                         | 97,525                  |
| DUP Contributions - Waggrakine                  | 189,460                 | 6,550                   | -                         | 196,010                 |
| DUP Contributions - Webberton                   | 9,043                   | 313                     | -                         | 9,355                   |
| DUP Contributions - Geraldton                   | 6,217                   | 215                     | -                         | 6,432                   |
| POS Cash in Lieu                                | 1,655,276               | 103,958                 | -                         | 1,759,233               |
| POS Cash in Lieu - Drummond Cove                | 77,990                  | 2,696                   | -                         | 80,686                  |
| POS Cash in Lieu - Glenfield                    | 59,702                  | 2,065                   | -                         | 61,767                  |
| POS Cash in Lieu - Webberton                    | 840,247                 | -                       | (840,247)                 | -                       |
| POS Cash in Lieu - Strathalbyn                  | 215,368                 | 7,446                   | -                         | 222,813                 |
| POS Cash in Lieu - Utakarra                     | 229,439                 | 7,932                   | -                         | 237,371                 |
| POS Cash in Lieu - Wandina                      | 71,424                  | 3,131                   | -                         | 74,556                  |
| POS Cash in Lieu - Waggrakine Rural Residential | 54,975                  | 24,920                  | -                         | 79,895                  |
| Contributions Received WARCA                    | 12,622                  | 494,036                 | (422,645)                 | 84,013                  |
| 20A/152 Reserve 41879                           | 42,900                  | -                       | -                         | 42,900                  |
|   | <b><u>6,355,880</u></b> | <b><u>1,264,251</u></b> | <b><u>(2,183,922)</u></b> | <b><u>5,436,210</u></b> |

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 19. Total Assets Classified by Function and Activity

| \$ '000                   | 2016<br>Actual     | 2015<br>Actual     |
|---------------------------|--------------------|--------------------|
| Governance                | 32,323,177         | 32,166,700         |
| Law, Order, Public Safety | 1,452,471          | 1,446,354          |
| Health                    | 102,794            | 103,412            |
| Education & Welfare       | 6,798,824          | 6,839,719          |
| Housing                   | 1,302,064          | 1,309,896          |
| Community Amenities       | 12,671,656         | 12,453,258         |
| Recreation & Culture      | 131,281,243        | 128,172,566        |
| Transport                 | 555,295,717        | 547,408,072        |
| Economic Services         | 288,057            | 276,206            |
| Other Property & Services | 45,660,557         | 37,109,825         |
| Unallocated               | 120,273,280        | 120,996,723        |
|                           | <u>907,449,840</u> | <u>888,282,731</u> |

## Note 20. Acquisition of Assets

| \$ '000                                | 2016<br>Actual    | 2016<br>Budget    |
|--|-------------------|-------------------|
| <b>By Program</b>                      |                   |                   |
| <b>Governance</b>                      |                   |                   |
| Asset acquisition                      | 350,900           | 577,500           |
| <b>Law, Order, Public Safety</b>       |                   |                   |
| Asset acquisition                      | 14,854            | 1,550,000         |
| <b>Community Amenities</b>             |                   |                   |
| Asset acquisition                      | 294,618           | 213,000           |
| <b>Recreation &amp; Culture</b>        |                   |                   |
| Asset acquisition                      | 10,404,833        | 16,879,763        |
| <b>Transport</b>                       |                   |                   |
| Asset acquisition                      | 16,190,049        | 35,998,800        |
| <b>Economic Services</b>               |                   |                   |
| Asset acquisition                      | 13,584            | -                 |
| <b>Other Property &amp; Services</b>   |                   |                   |
| Asset acquisition                      | 8,825,327         | 13,565,798        |
|  | <u>36,094,165</u> | <u>68,784,861</u> |
| <b>By Class</b>                        |                   |                   |
| <i>Property, Plant &amp; Equipment</i> |                   |                   |
| - Land                                 | 7(b) 862,622      | -                 |
| - Buildings                            | 10,864,266        | 12,985,498        |
| - Furniture and Equipment              | 281,064           | 447,500           |
| - Plant and Equipment                  | 2,183,495         | 1,962,000         |
| <i>Infrastructure</i>                  |                   |                   |
| - Roads                                | 8(b) 14,982,935   | 33,941,800        |
| - Recreation                           | 5,566,031         | 16,893,950        |
| - Car Parks                            | 378,111           | -                 |
| - Meru Landfill                        | 202,735           | 213,000           |
| - Airport                              | 730,832           | 2,007,000         |
| - Effluent Scheme                      | 42,075            | -                 |
| - Other Infrastructure                 | -                 | 334,113           |
|  | <u>36,094,165</u> | <u>68,784,861</u> |

## City of Greater Geraldton

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 21. Disposal of Assets

| \$ '000  | Notes | Net Book Value   |                  | Sale Price       |                  | Profit/(Loss)    |                 |
|--|-------|------------------|------------------|------------------|------------------|------------------|-----------------|
|  |       | Actual           | Budget           | Actual           | Budget           | Actual           | Budget          |
| The following assets were disposed of during the year. |       |                  |                  |                  |                  |                  |                 |
| <b>By Asset Class</b>                                  |       |                  |                  |                  |                  |                  |                 |
| <i>Property, Plant &amp; Equipment</i>                 | 7(b)  |                  |                  |                  |                  |                  |                 |
| Land   |       | 624,514          | 3,680,000        | 574,707          | 3,680,000        | (49,807)         | -               |
| Buildings  |       | 52,822           | -                | 216              | -                | (52,606)         | -               |
| Furniture and Equipment                                |       | 699,579          | -                | 702,336          | -                | 2,757            | -               |
| Plant and Equipment                                    |       | 903,540          | 495,485          | 797,632          | 479,000          | (105,908)        | (16,485)        |
| Artwork  |       | 7,175            | -                | 40               | -                | (7,135)          | -               |
| <b>Total</b>   |       | <b>2,287,630</b> | <b>4,175,485</b> | <b>2,074,931</b> | <b>4,159,000</b> | <b>(212,699)</b> | <b>(16,485)</b> |

Proceeds of sale at \$ 2,074,931 represents the gross value of items disposed during the financial year including the value of items written off during the financial year (\$ 1,043,788).

| \$ '000  | 2016<br>Actual   | 2016<br>Budget  | 2015<br>Actual |
|--|------------------|-----------------|----------------|
| <b>Summary</b>                                 |                  |                 |                |
| Profit on Asset Disposals                      | 2,757            | 218,026         | 274,464        |
| Loss on Asset Disposals                        | (215,455)        | (234,511)       | (169,398)      |
| <b>Net Profit/(Loss) on Disposal of Assets</b> | <b>(212,699)</b> | <b>(16,485)</b> | <b>105,066</b> |

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 22. Financial Ratios

| \$ '000  | Amounts<br>2016 | Indicator<br>2016 | Target     | Prior Periods<br>2015    2014 |         |
|--|-----------------|-------------------|------------|-------------------------------|---------|
| <i>Liquidity Ratio</i>   |                 |                   |            |                               |         |
| <b>1. Current Ratio</b> <sup>(1)</sup>                                 |                 |                   |            |                               |         |
| Current Assets less Restricted Current Assets                          | 15,395,232      | <b>0.92 : 1</b>   | > 1.00 : 1 | 0.78                          | 0.56    |
| Current Liabilities less Liabilities Associated with Restricted Assets | 16,657,233      |                   |            |                               |         |
| <i>Debt Ratio</i>  |                 |                   |            |                               |         |
| <b>2. Debt Service Cover Ratio</b> <sup>(2)</sup>                      |                 |                   |            |                               |         |
| Operating Surplus before Interest and Depreciation Exp                 | 14,594,999      | <b>3.58 : 1</b>   | > 2.00 : 1 | 3.62                          | 3.24    |
| Principal and Interest Repayments                                      | 4,076,843       |                   |            |                               |         |
| <i>Coverage Ratio</i>  |                 |                   |            |                               |         |
| <b>3. Own Source Revenue Coverage Ratio</b> <sup>(3)</sup>             |                 |                   |            |                               |         |
| Own Source Operating Revenue   | 65,843,798      | <b>82.13%</b>     | > 40%      | 85.55%                        | 79.87%  |
| Operating Expense  | 80,174,894      |                   |            |                               |         |
| <i>Financial Performance Ratio</i>                                     |                 |                   |            |                               |         |
| <b>4. Operating Surplus Ratio</b> <sup>(4)</sup>                       |                 |                   |            |                               |         |
| Operating Revenue less Operating Expense                               | (9,015,053)     | <b>-13.69%</b>    | > 1%       | 2.31%                         | -11.66% |
| Own Source Operating Revenue   | 65,843,798      |                   |            |                               |         |
| <i>Asset Management Ratios</i>   |                 |                   |            |                               |         |
| <b>5. Asset Consumption Ratio</b> <sup>(5)</sup>                       |                 |                   |            |                               |         |
| Depreciated Replacement Cost of Depreciable Assets                     | 772,556,440     | <b>70.80%</b>     | > 50%      | 73.13%                        | 70.07%  |
| Current Replacement Cost of Depreciable Assets                         | 1,091,200,364   |                   |            |                               |         |
| <b>6. Asset Sustainability Ratio</b> <sup>(6)</sup>                    |                 |                   |            |                               |         |
| Capital Renewal and Replacement Expenditure                            | 14,595,766      | <b>64.68%</b>     | 90-110%    | 65.20%                        | 77.48%  |
| Depreciation Expense   | 22,567,669      |                   |            |                               |         |
| <b>7. Asset Renewal Funding Ratio</b> <sup>(7)</sup>                   |                 |                   |            |                               |         |
| NPV of Planned Capital Renewals over 10 years                          | 163,079,567     | <b>93.25%</b>     | 75-95%     | 91.32%                        | 82.87%  |
| NPV of Required Capital Expenditure over 10 years                      | 174,884,875     |                   |            |                               |         |

## Notes

(1) This is a modified commercial ratio designed to focus on the liquidity position of the Council that has arisen from past year's transactions.

(2) This ratio is the measurement of Council's ability to repay its debt including lease payments.

(3) This ratio is the measurement of Council's ability to cover its costs through its own revenue efforts.

(4) This ratio is a measure of Council's ability to cover its operational costs and have revenues available for capital funding or other purposes.

(5) This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.

(6) This ratio indicates whether Council is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.

(7) This ratio is a measure of the ability of Council to fund its projected asset renewal / replacements in the future.

City of Greater Geraldton

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 22. Financial Ratios (continued)

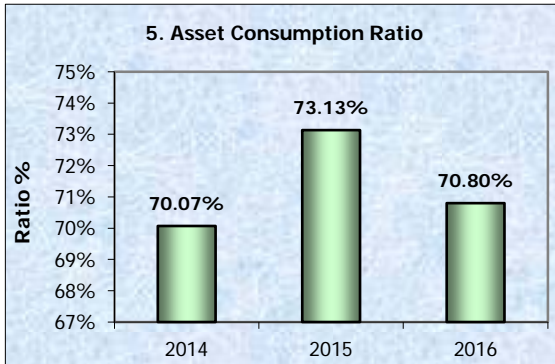
| <p style="text-align: center;"><b>1. Current Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>0.56</td> </tr> <tr> <td>2015</td> <td>0.78</td> </tr> <tr> <td>2016</td> <td>0.92</td> </tr> </tbody> </table>                             | Year    | Ratio   | 2014 | 0.56    | 2015 | 0.78   | 2016 | 0.92    | <p><b>Purpose of Current Ratio</b></p> <p>To assess the liquidity position of the Council that has arisen from past year's transactions.</p>  | <p style="text-align: right;"><b>2015/16 Ratio    0.92 : 1</b></p> |
|---|---------|---------|------|---------|------|--------|------|---------|---|--|
| Year  | Ratio   |         |      |         |      |        |      |         |   |  |
| 2014  | 0.56    |         |      |         |      |        |      |         |   |  |
| 2015  | 0.78    |         |      |         |      |        |      |         |   |  |
| 2016  | 0.92    |         |      |         |      |        |      |         |   |  |
| <p style="text-align: center;"><b>2. Debt Service Cover Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>3.24</td> </tr> <tr> <td>2015</td> <td>3.62</td> </tr> <tr> <td>2016</td> <td>3.58</td> </tr> </tbody> </table>                  | Year    | Ratio   | 2014 | 3.24    | 2015 | 3.62   | 2016 | 3.58    | <p><b>Purpose of Debt Service Cover Ratio</b></p> <p>To assess Council's ability to repay its debt including lease payments.</p>  | <p style="text-align: right;"><b>2015/16 Ratio    3.58 : 1</b></p> |
| Year  | Ratio   |         |      |         |      |        |      |         |   |  |
| 2014  | 3.24    |         |      |         |      |        |      |         |   |  |
| 2015  | 3.62    |         |      |         |      |        |      |         |   |  |
| 2016  | 3.58    |         |      |         |      |        |      |         |   |  |
| <p style="text-align: center;"><b>3. Own Source Revenue Coverage Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>79.87%</td> </tr> <tr> <td>2015</td> <td>85.55%</td> </tr> <tr> <td>2016</td> <td>82.13%</td> </tr> </tbody> </table> | Year    | Ratio % | 2014 | 79.87%  | 2015 | 85.55% | 2016 | 82.13%  | <p><b>Purpose of Own Source Revenue Coverage Ratio</b></p> <p>To assess Council's ability to cover its costs through its own revenue efforts.</p>                                     | <p style="text-align: right;"><b>2015/16 Ratio    82.13%</b></p>   |
| Year  | Ratio % |         |      |         |      |        |      |         |   |  |
| 2014  | 79.87%  |         |      |         |      |        |      |         |   |  |
| 2015  | 85.55%  |         |      |         |      |        |      |         |   |  |
| 2016  | 82.13%  |         |      |         |      |        |      |         |   |  |
| <p style="text-align: center;"><b>4. Operating Surplus Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>-11.66%</td> </tr> <tr> <td>2015</td> <td>2.31%</td> </tr> <tr> <td>2016</td> <td>-13.69%</td> </tr> </tbody> </table>          | Year    | Ratio % | 2014 | -11.66% | 2015 | 2.31%  | 2016 | -13.69% | <p><b>Purpose of Operating Surplus Ratio</b></p> <p>To assess Council's ability to cover its operational costs and have revenues available for capital funding or other purposes.</p> | <p style="text-align: right;"><b>2015/16 Ratio    -13.69%</b></p>  |
| Year  | Ratio % |         |      |         |      |        |      |         |   |  |
| 2014  | -11.66% |         |      |         |      |        |      |         |   |  |
| 2015  | 2.31%   |         |      |         |      |        |      |         |   |  |
| 2016  | -13.69% |         |      |         |      |        |      |         |   |  |



City of Greater Geraldton

Notes to the Financial Statements  
for the year ended 30 June 2016

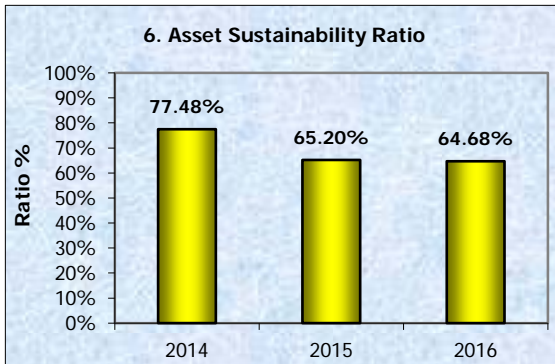
Note 22. Financial Ratios (continued)



**Purpose of Asset Consumption Ratio**

To assess the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.

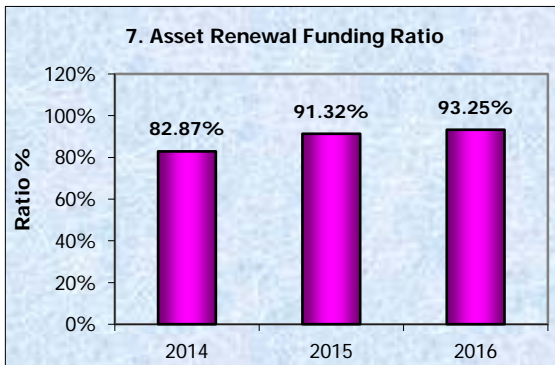
|                      |               |
|----------------------|---------------|
|                      |               |
| <b>2015/16 Ratio</b> | <b>70.80%</b> |
|                      |               |



**Purpose of Asset Sustainability Ratio**

To indicate whether Council is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.

|                      |               |
|----------------------|---------------|
|                      |               |
| <b>2015/16 Ratio</b> | <b>64.68%</b> |
|                      |               |



**Purpose Asset Renewal Funding Ratio**

To assess the ability of Council to fund its projected asset renewal / replacements in the future.

|                      |               |
|----------------------|---------------|
|                      |               |
| <b>2015/16 Ratio</b> | <b>93.25%</b> |
|                      |               |

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 23. Information on Borrowings

| \$ '000                                     | Borrowing Institution | Interest Rate % | Principal 1-Jul-15 | New Loans | Principal Repayments |         | Principal 30-Jun-16 |           | Interest Repayments |         |
|---|-----------------------|-----------------|--------------------|-----------|----------------------|---------|---------------------|-----------|---------------------|---------|
|   |                       |                 |                    |           | Actual               | Budget  | Actual              | Budget    | Actual              | Budget  |
| <b>(a). Debenture Repayments</b>            |                       |                 |                    |           |                      |         |                     |           |                     |         |
| <b>Governance</b>                           |                       |                 |                    |           |                      |         |                     |           |                     |         |
| - 262 Office Redevelopment                  | WATC                  | 3.89%           | 807,486            | -         | 91,094               | 91,094  | 716,392             | 716,392   | 29,238              | 38,580  |
| <b>Recreation &amp; Culture</b>             |                       |                 |                    |           |                      |         |                     |           |                     |         |
| - 82 Tarcoola Park Tennis Club SSL *        | WATC                  | 7.36%           | 13,890             | -         | 2,891                | 2,892   | 10,999              | 10,998    | 911                 | 1,081   |
| - 268 Foreshore Stabilisation & Protection  | WATC                  | 3.09%           | 1,200,000          | -         | 104,129              | 104,129 | 1,095,871           | 1,095,871 | 35,727              | 48,745  |
| - 264 Aquarena Upgrade                      | WATC                  | 4.36%           | 1,836,541          | -         | 170,664              | 170,664 | 1,665,877           | 1,665,877 | 76,663              | 97,418  |
| - 271 QPT Air-Conditioning Replacement      | WATC                  | 2.92%           | -                  | 3,250,000 | -                    | -       | 3,250,000           | 3,250,000 | 16,854              | -       |
| - 263 Recreation Ground Grandstand          | WATC                  | 4.36%           | 1,147,838          | -         | 106,665              | 106,665 | 1,041,173           | 1,041,173 | 47,915              | 60,887  |
| - 272 MUF, Youth Precinct, Beach Access Ram | WATC                  | 3.21%           | -                  | 4,056,000 | -                    | -       | 4,056,000           | 4,056,000 | 23,123              | -       |
| - 259 Verita Road                           | WATC                  | 4.72%           | 3,157,282          | -         | 425,658              | 425,657 | 2,731,624           | 2,731,625 | 142,827             | 177,650 |
| - 257 Geraldton Hockey Association *        | WATC                  | 4.81%           | 175,640            | -         | 23,619               | 23,619  | 152,021             | 152,021   | 7,875               | 10,037  |
| - 253 Geraldton Yacht Club SSL *            | WATC                  | 6.26%           | 55,223             | -         | 10,312               | 10,312  | 44,911              | 44,911    | 3,083               | 3,817   |
| - 251 Geraldton Hockey Association *        | WATC                  | 6.14%           | 125,005            | -         | 26,570               | 26,570  | 98,435              | 98,435    | 6,972               | 8,442   |
| - 228 Geraldton Surf Life Saving *          | WATC                  | 6.42%           | 37,888             | -         | 18,355               | 18,355  | 19,533              | 19,533    | 1,533               | 2,569   |
| - 260 Aquarena Renewal Stage 1              | WATC                  | 3.89%           | 2,099,463          | -         | 236,845              | 236,845 | 1,862,617           | 1,862,618 | 76,019              | 100,594 |
| <b>Transport</b>                            |                       |                 |                    |           |                      |         |                     |           |                     |         |
| - 269 Airport Projects                      | WATC                  | 3.09%           | 3,020,000          | -         | 262,058              | 262,058 | 2,757,942           | 2,757,942 | 89,912              | 122,675 |
| - 261 Airport Paid Parking Facilities       | WATC                  | 3.89%           | 1,211,228          | -         | 136,641              | 136,641 | 1,074,587           | 1,074,587 | 43,857              | 57,870  |
| - 258 Airport Buffer Land                   | WATC                  | 4.72%           | 912,106            | -         | 122,970              | 122,968 | 789,136             | 789,138   | 41,261              | 51,321  |
| - 234 Lot 8 Chapman Road - Car Park         | WATC                  | 5.09%           | 522,262            | -         | 129,733              | 129,733 | 392,529             | 392,529   | 23,423              | 29,935  |
| - 230 Airport Buffer Land                   | WATC                  | 8.93%           | 521,165            | -         | 197,594              | 197,595 | 323,571             | 323,570   | 29,420              | 37,703  |
| - 229 SGIO Car Park                         | WATC                  | 6.47%           | 172,559            | -         | 83,575               | 83,576  | 88,984              | 88,983    | 11,712              | 11,772  |
| - 255 Plant Loan 10/11                      | WATC                  | 5.41%           | 110,951            | -         | 110,951              | 110,951 | -                   | -         | -                   | 5,613   |
| - 252 Plant Purchases for 2009/2010         | WATC                  | 6.06%           | 659,768            | -         | 123,683              | 123,683 | 536,085             | 536,085   | 36,066              | 44,370  |
| - 273 Verita Road Stage 1                   | WATC                  | 2.45%           | -                  | 1,500,000 | -                    | -       | 1,500,000           | 1,500,000 | 3,196               | -       |
| - 270 (New) Airport Technology Park         | WATC                  | 2.74%           | 2,450,000          | -         | 463,700              | 461,469 | 1,986,300           | 1,988,531 | 63,201              | 97,598  |

(continued on next page)

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 23. Information on Borrowings (continued)

| \$ '000                                      | Borrowing Institution | Interest Rate % | Principal 01/07/2015 | New Loans        | Principal Repayments |                  | Principal 30-Jun-16 |                   | Interest Repayments |                  |
|--|-----------------------|-----------------|----------------------|------------------|----------------------|------------------|---------------------|-------------------|---------------------|------------------|
|  |                       |                 |                      |                  | Actual               | Budget           | Actual              | Budget            | Actual              | Budget           |
| <b>(a). Debenture Repayments (continued)</b> |                       |                 |                      |                  |                      |                  |                     |                   |                     |                  |
| <b>Economic Services</b>                     |                       |                 |                      |                  |                      |                  |                     |                   |                     |                  |
| - 95 Hamlet                                  | WATC                  | 6.99%           | 28,032               | -                | 13,531               | 13,531           | 14,501              | 14,501            | 1,395               | 1,886            |
| <b>Other Property &amp; Services</b>         |                       |                 |                      |                  |                      |                  |                     |                   |                     |                  |
| - 265 Old Works Depot                        | WATC                  | 4.36%           | 918,270              | -                | 85,331               | 85,332           | 832,939             | 832,938           | 38,332              | 48,709           |
| - 266 Old Railway Building                   | WATC                  | 4.36%           | 945,819              | -                | 87,892               | 87,892           | 857,923             | 857,927           | 39,482              | 50,171           |
| WATC Loan Guarantee Fee                      |                       |                 | -                    | -                | -                    | -                | -                   | -                 | 152,387             | -                |
|  |                       |                 | <b>22,128,415</b>    | <b>8,806,000</b> | <b>3,034,460</b>     | <b>3,032,231</b> | <b>27,899,952</b>   | <b>27,902,184</b> | <b>1,042,382</b>    | <b>1,109,443</b> |

**Funding of Borrowings** All loan repayments were funded by general purpose income.

1 Self- Supporting Loan \* Those loans denoted with "\*" are subject of a repayment agreement that secured the reimbursement from a community organisation of all costs associated with the loan.

2 WATC = WA Treasury Corporation

**Security**

The general funds of the Borrower as defined in section 6.21 (4) of the Local Government Act 1995 are charged in favour of Treasury Corporation to secure all principal interest and other amounts payable by the Borrower from time to time.

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 23. Information on Borrowings (continued)

| \$ '000                                | Amount Borrowed  |                   | Institution | Type      | Term<br>(Years) | Total                 | Interest  | Amount Used        |                     | Balance<br>Unspent |
|--|------------------|-------------------|-------------|-----------|-----------------|-----------------------|-----------|--------------------|---------------------|--------------------|
|  | Actual           | Budget            |             |           |                 | Interest<br>& Charges | Rate<br>% | Actual             | Budget              |                    |
|  |                  |                   |             |           |                 |                       |           |                    |                     |                    |
| <b>(b). New Debentures</b>             |                  |                   |             |           |                 |                       |           |                    |                     |                    |
| Foreshore Stabilisation & Protection   | -                | 1,850,000         |             |           | -               | -                     |           | -                  | (1,850,000)         | -                  |
| Airport Fire Main Upgrade              | -                | 1,000,000         |             |           | -               | -                     |           | -                  | (1,000,000)         | -                  |
| Animal Pound Upgrade                   | -                | 1,550,000         |             |           | -               | -                     |           | -                  | (1,550,000)         | -                  |
| MUF, Youth Precinct, Beach Access Ramp | 4,056,000        | 4,056,000         | WATC        | Debenture | 15              | 1,086,391             | 3.21%     | (4,056,000)        | (4,056,000)         | -                  |
| POS Olive Street Development           | -                | 4,500,000         |             |           | -               | -                     |           | -                  | (4,500,000)         | -                  |
| QPT Air-Conditioning Replacement       | 3,250,000        | 3,250,000         | WATC        | Debenture | 10              | 521,061               | 2.92%     | (3,250,000)        | (3,250,000)         | -                  |
| Verita Road Stage 1                    | 1,500,000        | 9,000,000         | WATC        | Debenture | 7               | 141,446               | 2.45%     | (780,113)          | (9,000,000)         | 719,887            |
|  | <b>8,806,000</b> | <b>25,206,000</b> |             |           |                 | <b>1,748,899</b>      |           | <b>(8,086,113)</b> | <b>(25,206,000)</b> | <b>719,887</b>     |

| \$ '000 | Date<br>Borrowed | Balance<br>1-Jul-15 | Borrowed         | Expended           | Balance<br>30-Jun-16 |
|---------|------------------|---------------------|------------------|--------------------|----------------------|
|         |                  |                     | During<br>Year   | During<br>Year     |                      |
|         |                  |                     |                  |                    |                      |
|         | 30/05/2016       | -                   | 1,500,000        | (780,113)          | 719,887              |
|         | 4/05/2015        | 632,375             | -                | (413,441)          | 218,934              |
|         | 4/05/2015        | 806,661             | -                | -                  | 806,661              |
|         |                  | <b>1,439,036</b>    | <b>1,500,000</b> | <b>(1,193,554)</b> | <b>1,745,482</b>     |

**(c). Unspent Debentures****(d). Overdraft**

The City of Greater Geraldton established an overdraft facility of \$ 750,000.  
The balance of the bank overdraft at 30 June 2016 was \$0 (1 July 2015: \$0).

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 24(a). Rating Information (2015/16 Financial Year)

| \$ '000                               | Notes | Rate in \$     | Number of Properties | Rateable Value     | Rate Revenue      | Interim Rates  | Back Rates    | Total Revenue     | Budget Rate Revenue | Budget Interim Rate | Budget Back Rate | Budget Total Revenue |
|---------------------------------------|-------|----------------|----------------------|--------------------|-------------------|----------------|---------------|-------------------|---------------------|---------------------|------------------|----------------------|
| <b>Rate Type</b>                      |       |                |                      |                    |                   |                |               |                   |                     |                     |                  |                      |
| <b>Differential General Rate</b>      |       |                |                      |                    |                   |                |               |                   |                     |                     |                  |                      |
| CGG Residential                       |       | 11.3506        | 15,055               | 234,675,383        | 26,637,063        | 313,991        | 12,808        | 26,963,862        | 26,637,063          | 200,000             | 5,000            | 26,842,063           |
| Non Residential GRV                   |       | 10.7071        | 1,220                | 88,358,095         | 9,460,590         | 112,432        | (1,446)       | 9,571,576         | 9,460,590           | 250,000             | 5,000            | 9,715,590            |
| Geraldton UV, Rural, Mining & Farming |       | 0.7032         | 669                  | 243,078,011        | 1,709,325         | 33,582         | 4,754         | 1,747,661         | 1,709,325           | -                   | -                | 1,709,325            |
| GRV Ex-Mullewa District               |       | 11.3804        | 143                  | 1,207,160          | 137,380           | 2,800          | 145           | 140,325           | 137,380             | -                   | -                | 137,380              |
| Mullewa UV, Rural, Mining & Farming   |       | 0.7573         | 215                  | 141,976,017        | 1,075,184         | (3,533)        | 86            | 1,071,737         | 1,075,184           | -                   | -                | 1,075,184            |
| <b>Sub-Total</b>                      |       |                | <b>17,302</b>        | <b>709,294,666</b> | <b>39,019,542</b> | <b>459,272</b> | <b>16,347</b> | <b>39,495,161</b> | <b>39,019,542</b>   | <b>450,000</b>      | <b>10,000</b>    | <b>39,479,542</b>    |
| <b>Minimum Rates</b>                  |       |                |                      |                    |                   |                |               |                   |                     |                     |                  |                      |
|                                       |       | <b>Minimum</b> |                      |                    |                   |                |               |                   |                     |                     |                  |                      |
| CGG Residential                       |       | 1,010          | 2,099                | 9,825,236          | 2,119,990         | -              | -             | 2,119,990         | 2,119,990           | -                   | -                | 2,119,990            |
| Non Residential GRV                   |       | 1,010          | 170                  | 943,741            | 171,700           | -              | -             | 171,700           | 171,700             | -                   | -                | 171,700              |
| Geraldton UV, Rural, Mining & Farming |       | 1,010          | 206                  | 18,858,859         | 208,060           | -              | -             | 208,060           | 208,060             | -                   | -                | 208,060              |
| GRV Ex-Mullewa District               |       | 600            | 141                  | 274,854            | 84,600            | -              | -             | 84,600            | 84,600              | -                   | -                | 84,600               |
| Mullewa UV, Rural, Mining & Farming   |       | 860            | 103                  | 3,582,372          | 88,580            | -              | -             | 88,580            | 88,580              | -                   | -                | 88,580               |
| <b>Sub-Total</b>                      |       |                | <b>2,719</b>         | <b>33,485,062</b>  | <b>2,672,930</b>  | <b>-</b>       | <b>-</b>      | <b>2,672,930</b>  | <b>2,672,930</b>    | <b>-</b>            | <b>-</b>         | <b>2,672,930</b>     |
|                                       |       |                |                      |                    |                   |                |               | 42,168,091        |                     |                     |                  | 42,152,472           |
| Discounts/Concessions                 | 27    |                |                      |                    |                   |                |               | (877,348)         |                     |                     |                  | (877,348)            |
|                                       |       |                |                      |                    |                   |                |               | <b>41,290,743</b> |                     |                     |                  | <b>41,275,124</b>    |
| Specified Area Rate                   | 25    |                |                      |                    |                   |                |               | -                 |                     |                     |                  | -                    |
| <b>Totals</b>                         |       |                |                      |                    |                   |                |               | <b>41,290,743</b> |                     |                     |                  | <b>41,275,124</b>    |

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 24(b). Surplus/(Deficit) B/Fwd and C/Fwd

| \$ '000                                   | Notes | 2016<br>Carried Fwd<br>Actual | 2015<br>Brought Fwd<br>Actual |
|---|-------|-------------------------------|-------------------------------|
| <b>Current Assets</b>                     |       |                               |                               |
| Cash - Unrestricted                       | 3     | 9,163,374                     | 4,516,282                     |
| Cash - Restricted Reserves                | 3     | 10,327,731                    | 16,816,902                    |
| Cash - Restricted Unspent Grants          | 2(d)  | 18,609,473                    | 11,468,800                    |
| Investments                               | 4     | -                             | 266,241                       |
| Rates - Current                           | 5     | 3,335,668                     | 3,107,675                     |
| Sundry Debtors                            | 5     | 1,549,292                     | 1,963,724                     |
| GST Receivable                            | 5     | 287,911                       | 471,252                       |
| Other Receivables                         | 5     | 599,344                       | 326,575                       |
| Inventories                               |       |                               |                               |
| - Fuel and Materials                      | 6     | 308,394                       | 317,190                       |
| - Other                                   | 6     | 151,249                       | 135,508                       |
|   |       | <b>44,332,437</b>             | <b>39,390,148</b>             |
| <b>Current Liabilities</b>                |       |                               |                               |
| Sundry Creditors                          | 9     | 8,039,950                     | 6,067,497                     |
| Accrued Interest on Debentures            | 9     | 164,783                       | 142,305                       |
| Accrued Salaries and Wages                | 9     | 264,606                       | 35,688                        |
| Other Current Trade and Other Payables    | 9     | 18,609,473                    | 11,706,789                    |
| Current Employee Benefits Provision       | 11    | 3,959,165                     | 4,149,979                     |
| Other Current Provisions                  | 11    | 480,308                       | 515,907                       |
| Current Loan Liability                    | 10    | 3,748,422                     | 3,034,459                     |
|   |       | <b>35,266,706</b>             | <b>25,652,623</b>             |
| <b>Net Current Assets</b>                 |       | <b>9,065,731</b>              | <b>13,737,525</b>             |
| <b>Less:</b>                              |       |                               |                               |
| Reserves - Restricted Cash                | 3     | (10,327,731)                  | (16,816,902)                  |
| Self Supporting Loan Principal Repayments |       | (81,748)                      | (77,149)                      |
| Council Loan Principal Repayments         |       | (37,629)                      | (10,616)                      |
| <b>Add Back:</b>                          |       |                               |                               |
| Current Loan Liability                    | 10    | 3,748,422                     | 3,034,459                     |
| <b>Surplus/(Deficit)</b>                  |       | <b>2,367,045</b>              | <b>(132,682)</b>              |

(1) Restricted Grants &amp; Contributions that are not expected to be spent in the next 12 months.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 25. Specified Area Rate (2015/16 Financial Year)

\$ '000

The City has abolished the Specified Area Rate from 1st of July, 2015.

#### Note 26. Service Charges (2015/16 Financial Year)

The City of Greater Geraldton does not have any Service Charges.

#### Note 27. Discounts, Incentives, Concessions & Write-offs (2015/16 Financial Year)

\$ '000

|  | Total<br>Cost / Value | Budget<br>Cost / Value |
|--|-----------------------|------------------------|
|--|-----------------------|------------------------|

##### (a) Discounts/Concessions

|               |                |                |
|---------------|----------------|----------------|
| General Rates | 877,348        | 877,348        |
|               | <b>877,348</b> | <b>877,348</b> |

A concession will be available to Persons owing rateable properties within the City district that:

- Are rateable on the basis of Gross Rental Value (GRV), and are rated under the CGG Residential Differential General rate: and
- Are subject to an increase in GRV Valuation of their CGG Residential property as a consequence of the periodic (currently 3-Yearly) General Valuation by the State Valuer-General which takes effect from 1 July 2015;
- Have rates imposed that are higher than the Minimum Payment for the CGG Residential GRV differential general rate.

The Council offers no discounts for the early payment of rates or any other debts to Council.

##### (b). Incentives

Through an agreement with the Commonwealth Bank, Council offers an incentive to ratepayers for the early payment of rates (if paid within 35 days of the rates being issued) with a prize of 3 x \$1,000 to the successful ratepayers. Details and conditions are set out in the brochures that accompany the rates assessment notice.

Other prizes are also available to ratepayers:

- City of Greater Geraldton - Parking Permit for 1 year valued at \$ 1,367
- City of Greater Geraldton - Aquarena 15 x multi swim pass prizes valued at \$ 1,620
- Good Earth Hotel & Perth Ambassador Hotel - \$560 - 2 night weekend stay
- Staples - Ipad mini 16GB valued at \$299
- Mitchell & Brown - \$ 599 Pots & Pans
- Novus Tint a Car -\$ 300 gift voucher
- Everybody Group Fitness - 5 x \$100 Vouchers
- Choices Flooring - \$1,000 voucher
- Chimera Pearls - \$570 Pendant
- Ibis Geraldton - 5 x \$ 50 Meal Vouchers
- Friends of Queens Park Theatre - \$100 voucher for any QPT show

None of these prizes involved any cost to Council, with the exception of Parking Permits and Multi Swim Passes.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Discounts, Incentives, Concessions & Write-offs (2015/16 Financial Year)

| \$ '000                | Notes | Total<br>Cost / Value | Budget<br>Cost / Value |
|------------------------|-------|-----------------------|------------------------|
| <b>(c). Write-Offs</b> |       |                       |                        |
| Rate Assessment        | 2(a)  | 80,334                | 30,000                 |
| General Debtors        | 2(a)  | 74,530                | 16,630                 |
|                        |       | <u><b>154,864</b></u> | <u><b>46,630</b></u>   |

#### (d). Waivers

The City of Greater Geraldton does not offer any standard waivers or write offs of Rates and Charges or any other debts of ratepayers unless specifically approved by Council.

Individuals may approach Council for an extension of time to pay off their debt.

#### Note 28. Interest Charges and Instalments (2015/16 Financial Year)

| \$ '000                      | Interest<br>Rate % | Admin.<br>Charge | Actual<br>Revenue     | Budgeted<br>Revenue   |
|------------------------------|--------------------|------------------|-----------------------|-----------------------|
| Interest on Unpaid Rates     | 11.00%             | -                | 482,928               | 330,000               |
| Interest on Instalments Plan | 5.50%              | -                | 173,790               | 180,000               |
| Pensioner Deferred Interest  | 0.00%              | -                | 9,031                 | 12,000                |
|                              |                    |                  | <u><b>665,749</b></u> | <u><b>522,000</b></u> |

Council offers three (3) payment options by which ratepayers can make their payments.

Option 1: To pay their rates in full by the 35th day after the rates notice has been issued

Option 2: To pay their rates in two (2) equal instalments

Option 3: To pay their rates in four (4) equal instalments

For ratepayers election to pay their rates by 2 or 4 instalments, a charge of \$ 10 per instalment is charged.

For ratepayers making an arrangement with Council to pay their rates in more than 4 instalments, a one off charge of \$ 40 is charged.

The total amount of revenue from the imposition of interest and instalments charges is \$ 803,638.



## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 29. Fees & Charges

| \$ '000                     | 2016<br>Actual           | 2016<br>Budget           | 2015<br>Actual           |
|-----------------------------|--------------------------|--------------------------|--------------------------|
| Governance                  | 10,311                   | 11,150                   | 9,527                    |
| General Purpose Funding     | 215,594                  | 257,002                  | 246,783                  |
| Law, Order, Public Safety   | 343,017                  | 350,200                  | 363,067                  |
| Health                      | 58,177                   | 52,925                   | 49,752                   |
| Education and Welfare       | 189,047                  | 225,521                  | 189,720                  |
| Community Amenities         | 9,731,657                | 8,627,957                | 8,600,822                |
| Recreation and Culture      | 1,652,136                | 1,941,745                | 2,015,922                |
| Transport                   | 6,403,354                | 6,335,445                | 6,822,577                |
| Economic Services           | 833,310                  | 1,063,090                | 986,634                  |
| Other Property and Services | 972,865                  | 1,001,954                | 951,809                  |
|                             | <b><u>20,409,467</u></b> | <b><u>19,866,989</u></b> | <b><u>20,236,613</u></b> |

There were no changes during the year to the amount of the fees and charges detailed in the original budget.

#### Note 30. Grants, Subsidies & Contributions

| \$ '000  | 2016<br>Actual           | 2015<br>Actual           |
|--|--------------------------|--------------------------|
| Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income: |                          |                          |
| <b>(a). By Nature &amp; Type</b>   |                          |                          |
| Operating Grants, Subsidies and Contributions  | 6,701,460                | 13,674,952               |
| Non-Operating Grants, Subsidies and Contributions  | 11,600,846               | 6,036,624                |
|  | <b><u>18,302,306</u></b> | <b><u>19,711,577</u></b> |

#### **(b). By Program**

|                           |                          |                          |
|---------------------------|--------------------------|--------------------------|
| Governance                | 404,473                  | 987,470                  |
| General Purpose Funding   | 3,080,265                | 9,014,921                |
| Law, Order, Public Safety | 828,856                  | 300,189                  |
| Health                    | 500                      | 909                      |
| Education & Welfare       | 1,066,114                | 1,064,678                |
| Community Amenities       | 526,876                  | 888,605                  |
| Recreation & Culture      | 2,848,602                | 1,785,324                |
| Transport                 | 7,947,023                | 1,994,848                |
| Economic Services         | 197,419                  | 136,203                  |
| Other Property & Services | 1,402,178                | 3,538,430                |
|                           | <b><u>18,302,306</u></b> | <b><u>19,711,577</u></b> |

Included within the Operating Grants, Subsidies and Contributions total of \$ 6,701,460 is \$ 1,385,417 in reimbursements and recoveries.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 31. Employee Numbers

| \$ '000  | 2016<br>Actual | 2015<br>Actual | 2014<br>Actual |
|--|----------------|----------------|----------------|
| The number of full-time equivalent employees at balance date | 254            | 292            | 328            |

Council approved establishment end of the reporting year: 291 FTE (2015: 312 FTE).

#### Note 32. Councillor Remuneration

| \$ '000   | 2016<br>Actual | 2016<br>Budget | 2015<br>Actual |
|---|----------------|----------------|----------------|
| The following fees, expenses and allowances were paid to council members and the mayor. |                |                |                |
| Meeting Fees  | 339,180        | 346,014        | 345,660        |
| Members Allowance   | 118,836        | 119,561        | 118,835        |
| Members IT and Telephone Allowance  | 52,041         | 52,500         | 52,500         |
| Travelling Expenses   | 23,970         | 20,000         | 26,929         |
| Conference Expenses   | 30,102         | 15,000         | 27,712         |
| Childcare Expenses  | 2,800          | -              | 2,750          |
| Councillor Training   | 20,487         | 20,000         | 11,667         |
|   | <u>587,416</u> | <u>573,075</u> | <u>586,053</u> |

#### Note 33. Employee Costs

|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| Wages and Salaries                           | 18,224,482        | 23,258,154        | 19,643,878        |
| Employee Leave Entitlements                  | 5,664,403         | 335,464           | 5,646,415         |
| Superannuation                               | 2,881,069         | 3,276,200         | 3,022,301         |
| Workers' Compensation Insurance              | 710,436           | 768,000           | 921,935           |
| Protective Clothing & Uniforms               | 94,316            | 70,453            | 113,562           |
| Recruitment Costs                            | 84,010            | 270,000           | 57,421            |
| Training Costs (other than Salaries & Wages) | 111,125           | 88,116            | 105,892           |
| Other  | 128,088           | 172,000           | 172,412           |
|  | <u>27,897,929</u> | <u>28,238,387</u> | <u>29,683,817</u> |

## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 33. Employee Costs (continued)

| \$ '000   | Salary Range      | 2016<br>Actual | 2015<br>Actual |
|---|-------------------|----------------|----------------|
| <b>Employee Remuneration</b>  |                   |                |                |
| Set out below, in bands of \$10,000 is the number of employees entitled to an annual salary of 100,000 or more. |                   |                |                |
| <b>Details</b>  |                   |                |                |
| LG Administration Regulations 19 B  | 100,000 - 109,999 | 4              | 8              |
|   | 110,000 - 119,999 | 6              | 9              |
|   | 120,000 - 129,999 | 3              | 4              |
|   | 130,000 - 139,999 | 3              | 2              |
|   | 140,000 - 149,999 | 1              | -              |
|   | 160,000 - 169,999 | 3              | 3              |
|   | 170,000 - 179,999 | -              | 1              |
|   | 250,000 - 259,999 | -              | 1              |
|   | 270,000 - 279,999 | 1              | -              |

#### Note 34. Major Land Transactions

| \$ '000   |
|---|
| <b><u>Drummond Cove Free holding of Land</u></b>  |
| <b>Details</b>  |
| Via public auction, the sale of land in the Drummond Cove Estate was concluded in 2009-10. West side leaseholders will continue to pay the principal on their properties by yearly instalments as part of a contractual agreement until 2016. |
| Total principal repaid to the City in 2015-16 amounted to \$37,629 (2014-15: \$ 10,616).<br>All major expenditure associated with subdivisional development was concluded in 2009-10.   |

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 35. Trading and Major Trading Undertakings

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\$ '000

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##### Airport

The Geraldton Airport is owned freehold by and is run as a business unit of the City of Greater Geraldton, generating an operating income of approximately \$5.5m per annum (2014-2015: \$6.1M).

Operating surpluses from airport operations are utilised to maintain and improve existing airport infrastructure, provide for development of future infrastructure. During 2015-16, capital outlays on Airport Infrastructure (including buildings) amounted to nearly \$1.0M.

The City of Greater Geraldton endeavours to operate the aerodrome in an environmentally sensitive manner in accordance with aviation best practice, in compliance with Federal statutory requirements for aviation operations, airports, and transport security.

The airport is planned and managed to provide a satisfactory return on investment to the ratepayers of the City of Greater Geraldton, while having regard to the airport as a key regional transport infrastructure asset.

In 2015 the secure departures lounge has been extended, to cope with growth in passenger numbers.

An updated Geraldton Airport Master Plan was formally adopted by Council in 2012. Technical updates to the Master Plan are issued from time to time, most recently in February 2015, to provide the aviation industry with an up to date view of status of airport development. In addition to outlining planned future development of the airport beyond 2030, the Master Plan provides necessary inputs (obstacle height limitation and noise profiles) to town planning processes, enabling amendment of planning schemes, to prevent incompatible development encroachment that could adversely impact the continued operation of the airport as an essential regional infrastructure asset.

Geraldton Airport is serviced by Virgin, QantasLink and Skippers Aviation, providing Regular Public Transport (RPT) services. on the Geraldton-Perth route. Virgin services mainly utilise 50-seat Fokker F50 turboprop aircraft. QantasLink services changed from 75-seat Dash-8 Q400 turboprop aircraft, to 100-seat Fokker F100 jet aircraft, in March 2015.

An aircraft maintenance and service business is well established in a large hangar leased from the City. Shine Aviation and Geraldton Air Charter provide General Aviation services based at the airport, servicing the Abrolhos Islands, FIFO mining workforce logistics, and general charter operations.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 35. Trading and Major Trading Undertakings (continued)

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\$ '000

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##### **Meru Landfill Facility**

The Meru Landfill Facility is run as a business unit of the City of Greater Geraldton and generated operating income of approximately \$4.3M in 2015-16. During 2015-16, there were no significant capital outlays on the Meru Infrastructure.

This facility was established to provide a regional approach to Waste Management here in the Midwest. Originally managed by the Geraldton Greenough Regional Council (GGRC), this Regional Council was disbanded following the first amalgamation between the City of Geraldton and the Shire of Greenough. The main purpose of establishing a Regional Council was to have a planned and co-ordinated regional approach to the collection, removal, processing, treatment, recycling and disposal of waste in the mid-west region, enabling sharing of benefits of scale where possible. This will continue to be the purpose of this trading undertaking as a function of the City of Greater Geraldton.

The vision of City of Greater Geraldton is to lead the community to an improved level of sustainability - to encourage waste avoidance, maximise the recovery of materials and provide efficient, yet cost effective waste management and resource recovery services to the region. These objectives are achievable by actively engaging the community in sustainable waste practices, by supporting and promoting waste minimisation principles and implementing the objectives of the various Strategic documents.

The 2015/16 financial year saw many changes in the delivery of waste services designed to improve operational efficiencies while maintaining effectiveness. As part of the 2015/16 restructures, the waste function will be moved into the Development and Community Services Department and merged into an existing branch. In preparation for this move, officers have outsourced the traditional sanitation services and are presently reviewing the operation of the recycling shop and the landfill weighbridge. Some of the operational initiatives include the installation of CCTV cameras on the site, installation of additional groundwater monitoring bores and a water source bores for firefighting and dust suppression.

One of the other departmental significant includes the inclusion of the City's Sanitation team into the Water & Energy Services area. A new refuse compaction vehicle is expected to replace the current one, that has been decommissioned.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 36. Financial Risk Management

\$ '000

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

The Town held the following financial instruments at balance date.

|   | Notes | Carrying Value    |                   | Fair Value        |                   |
|---|-------|-------------------|-------------------|-------------------|-------------------|
|   |       | 2016              | 2015              | 2016              | 2015              |
| <b>Financial Assets</b>                               |       |                   |                   |                   |                   |
| Cash and Cash Equivalents                             | 3     | 38,100,578        | 32,801,983        | 38,100,578        | 32,801,983        |
| Receivables (Current & Non-Current)                   | 5     | 6,371,988         | 6,478,341         | 6,371,988         | 6,478,341         |
| Financial Assets at Fair Value through Profit or Loss | 4     | -                 | 266,241           | -                 | 266,241           |
|   |       | <u>44,472,566</u> | <u>39,546,565</u> | <u>44,472,566</u> | <u>39,546,565</u> |
| <b>Financial Liabilities</b>                          |       |                   |                   |                   |                   |
| Payables (Current & Non-Current)                      | 9     | 27,078,812        | 17,952,279        | 27,078,812        | 17,952,279        |
| Borrowings (Current & Non-Current)                    | 10    | 27,899,951        | 22,128,415        | 27,899,951        | 22,128,415        |
|   |       | <u>54,978,763</u> | <u>40,080,693</u> | <u>54,978,763</u> | <u>40,080,693</u> |

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates market value.
- **Borrowings & Held to Maturity Investments** - estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles.
- Financial Assets classified (i) "**at fair value through profit & loss**" or (ii) **Available for Sale** - based on quoted market prices at the reporting date or independent valuation.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 36. Financial Risk Management (continued)

\$ '000

##### (a). Cash & Cash Equivalents, Financial assets "at Fair Value through the Profit & Loss", "Available-for-sale" financial assets & "Held-to-maturity" Investments

Council's objective is to maximise its return on cash & investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's Finance Section manages the Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the relevant legislation. The policy is regularly reviewed by Council and an Investment Report is tabled before Council on a monthly basis setting out the make-up and performance of the portfolio.

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash & Investments is credit risk - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees in accordance with investment restrictions prescribed in the Local Government (*Financial Management*) Regulations 1996.

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

|   | 30-Jun-16 | 30-Jun-15 |
|---|-----------|-----------|
| <b>Impact of a 10% <sup>(1)</sup> movement in price of investments</b>                  |           |           |
| Equity  | -         | 26,624    |
| Statement of Comprehensive Income <sup>(2)</sup>  | -         | 26,624    |
| <b>Impact of a 1% <sup>(1)</sup> movement in interest rates on cash and investments</b> |           |           |
| Equity  | 381,006   | 330,682   |
| Statement of Comprehensive Income   | 381,006   | 330,682   |

#### Notes:

- Sensitivity percentages based on management's expectations of future possible market movements. (Price movements calculated on investments subject to fair value adjustments. Interest rate movements calculated on cash, cash equivalents and managed funds.)
- Maximum impact.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 36. Financial Risk Management (continued)

\$ '000

##### (b). Receivables

Council's major receivables comprise **(i)** Rates & Annual charges and **(ii)** User Charges & Fees.

The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts - that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates & annual charges at higher than market rates which further encourages the payment of debt.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

|   | 30-Jun-16<br>% | 30-Jun-15<br>% |
|---|----------------|----------------|
| <b>Percentage of Rates and Annual Charges</b> |                |                |
| Current                                       | 94.28%         | 94.66%         |
| Overdue                                       | 5.72%          | 5.34%          |
| <b>Percentage of Other Receivables</b>        |                |                |
| Current                                       | 83.43%         | 70.32%         |
| Overdue                                       | 16.57%         | 29.68%         |



## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 36. Financial Risk Management (continued)

\$ '000

##### (c). Payables & Borrowings

Payables & Borrowings are both subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can be extended & overdraft facilities drawn upon in extenuating circumstances.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity Table below:

| \$ '000     | Due within 1 year | Due between 1 & 5 years | Due after 5 years | Total contractual cash flows | Carrying Values   |
|-------------|-------------------|-------------------------|-------------------|------------------------------|-------------------|
| <b>2016</b> |                   |                         |                   |                              |                   |
| Payables    | 27,078,812        | -                       | -                 | 27,078,812                   | 27,078,812        |
| Borrowings  | 3,748,422         | 13,951,223              | 10,200,307        | 27,899,951                   | 27,899,951        |
|             | <b>30,827,234</b> | <b>13,951,223</b>       | <b>10,200,307</b> | <b>54,978,763</b>            | <b>54,978,763</b> |
| <b>2015</b> |                   |                         |                   |                              |                   |
| Payables    | 17,952,279        | -                       | -                 | 17,952,279                   | 17,952,279        |
| Borrowings  | 3,034,459         | 14,005,270              | 5,088,686         | 22,128,415                   | 22,128,415        |
|             | <b>20,986,738</b> | <b>14,005,270</b>       | <b>5,088,686</b>  | <b>40,080,694</b>            | <b>40,080,693</b> |

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs & debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a basis that is most suitable for the circumstance. Council officers regularly review interest rate movements to determine if it would be advantageous to refinance or renegotiate part, or all of the loan portfolio.

The following interest rates were applicable to the Council's Borrowings at balance date:

|                    | 30-Jun-16                        |            | 30-Jun-15                        |            |
|--------------------|----------------------------------|------------|----------------------------------|------------|
|                    | Weighted average interest rate % | Balance \$ | Weighted average interest rate % | Balance \$ |
| Bank Loans - Fixed | 3.81%                            | 27,899,951 | 4.14%                            | 22,128,415 |
|                    |                                  | 27,899,951 |                                  | 22,128,415 |

##### Notes:

1. The interest rate risk applicable to Variable Rate Bank Loan is not considered significant.

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 37. Fair Value Measurements

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, Property, Plant and Equipment
- Investment Property
- Financial Assets & Liabilities

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**(1) The following table presents all assets and liabilities that have been measured & recognised at fair values:**

| 2016   | Date<br>of latest<br>Valuation | Fair Value Measurement using:                 |  |  | Total       |
|--|--------------------------------|---|--|--|-------------|
|  |                                | Level 1<br>Quoted<br>prices in<br>active mkts | Level 2<br>Significant<br>observable<br>inputs | Level 3<br>Significant<br>unobservable<br>inputs |             |
| <b>Financial Assets</b>                      |                                |   |  |  |             |
| Receivables                                  |                                | -   | -  | 6,371,988  | 6,371,988   |
| <b>Total Financial Assets</b>                |                                | -   | -  | 6,371,988  | 6,371,988   |
| <b>Financial Liabilities</b>                 |                                |   |  |  |             |
| Payables                                     | 30/06/16                       | -   | -  | 27,078,812                                       | 27,078,812  |
| Loans / Advances                             | 30/06/16                       | -   | -  | 27,899,951                                       | 27,899,951  |
| <b>Total Financial Liabilities</b>           |                                | -   | -  | 54,978,763                                       | 54,978,763  |
| <b>Property, Plant &amp; Equipment</b>       |                                |   |  |  |             |
| - Land                                       | 30/06/15                       | -   | 86,505,192                                     | 3,456,000  | 89,961,192  |
| - Buildings                                  | 30/06/15                       | -   | 959,000  | 104,577,134                                      | 105,536,134 |
| - Furniture & Equipment                      | 30/06/16                       | -   | -  | 1,204,828  | 1,204,828   |
| - Plant & Equipment                          | 30/06/16                       | -   | 10,136,197                                     | -  | 10,136,197  |
| - Artwork                                    | 14/11/14                       | -   | 608,926  | -  | 608,926     |
| <b>Total Property, Plant &amp; Equipment</b> |                                | -   | 98,209,315                                     | 109,237,963                                      | 207,447,278 |
| <b>Infrastructure</b>                        |                                |   |  |  |             |
| - Roads                                      | 30/06/15                       | -   | -  | 567,839,869                                      | 567,839,869 |
| - Recreation                                 | 30/06/15                       | -   | -  | 35,526,313                                       | 35,526,313  |
| - Car Parks                                  | 30/06/15                       | -   | -  | 10,984,792                                       | 10,984,792  |
| - Meru Landfill                              | 30/06/15                       | -   | -  | 13,499,106                                       | 13,499,106  |
| - Airport                                    | 30/06/15                       | -   | -  | 26,990,030                                       | 26,990,030  |
| <b>Total Infrastructure</b>                  |                                | -   | -  | 654,840,109                                      | 654,840,109 |

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 37. Fair Value Measurements (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured & recognised at fair values: (continued)

| 2015  | Date<br>of latest<br>Valuation | Fair Value Measurement using:                 |  |  | Total              |
|---|--------------------------------|---|--|--|--------------------|
|   |                                | Level 1<br>Quoted<br>prices in<br>active mkts | Level 2<br>Significant<br>observable<br>inputs | Level 3<br>Significant<br>unobservable<br>inputs |                    |
| <b>Financial Assets</b>                             |                                |   |  |  |                    |
| Investments   |                                |   |  |  |                    |
| - "Designated At Fair Value on Initial Recognition" | 30/06/15                       | -   | -  | 266,241  | 266,241            |
| - "Loans and Receivables"                           | 30/06/15                       | -   | -  | 6,468,341  | 6,468,341          |
| <b>Total Financial Assets</b>                       |                                | -   | -  | <b>6,734,582</b>                                 | <b>6,734,582</b>   |
| <b>Financial Liabilities</b>                        |                                |   |  |  |                    |
| Payables  |                                |   |  |  |                    |
|   | 30/06/15                       | -   | -  | 17,952,279                                       | 17,952,279         |
| Loans / Advances                                    | 30/06/15                       | -   | -  | 22,128,415                                       | 22,128,415         |
| <b>Total Financial Liabilities</b>                  |                                | -   | -  | <b>40,080,694</b>                                | <b>40,080,694</b>  |
| <b>Property, Plant &amp; Equipment</b>              |                                |   |  |  |                    |
| - Land  |                                |   |  |  |                    |
|   | 30/06/15                       | -   | 77,032,168                                     | 3,456,000  | 80,488,168         |
| - Buildings   |                                |   |  |  |                    |
|   | 30/06/15                       | -   | 959,000  | 96,965,353                                       | 97,924,353         |
| - Furniture & Equipment                             |                                |   |  |  |                    |
|   | 30/06/14                       | -   | -  | 1,506,600  | 1,506,600          |
| - Plant & Equipment                                 |                                |   |  |  |                    |
|   | 30/06/13                       | -   | 10,413,751                                     | -  | 10,413,751         |
| - Artwork   |                                |   |  |  |                    |
|   | 14/11/14                       | -   | 619,690  | -  | 619,690            |
| <b>Total Property, Plant &amp; Equipment</b>        |                                | -   | <b>89,024,609</b>                              | <b>101,927,953</b>                               | <b>190,952,562</b> |
| <b>Infrastructure</b>                               |                                |   |  |  |                    |
| - Roads   |                                |   |  |  |                    |
|   | 30/06/15                       | -   | -  | 567,776,619                                      | 567,776,619        |
| - Recreation  |                                |   |  |  |                    |
|   | 30/06/15                       | -   | -  | 30,552,746                                       | 30,552,746         |
| - Car Parks   |                                |   |  |  |                    |
|   | 30/06/15                       | -   | -  | 11,044,634                                       | 11,044,634         |
| - Meru Landfill                                     |                                |   |  |  |                    |
|   | 30/06/15                       | -   | -  | 13,719,797                                       | 13,719,797         |
| - Airport   |                                |   |  |  |                    |
|   | 30/06/15                       | -   | -  | 26,834,300                                       | 26,834,300         |
| <b>Total Infrastructure</b>                         |                                | -   | -  | <b>649,928,096</b>                               | <b>649,928,096</b> |

## (2) Transfers between Level 1 &amp; Level 2 Fair Value Hierarchies

During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurements.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 37. Fair Value Measurements (continued)

\$ '000

#### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs) Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

#### Property, Plant & Equipment

AVP valuers & Asset Management completed a valuation of the Land, Buildings & Selected Other Structures with the effective date of valuation 30th of June 2015.

APV has undertaken the financial reporting valuation for City of Greater Geraldton in accordance with the Australian Accounting Standards. The valuation reporting has involved the confirmation of completeness of asset registers, physical inspection of the assets and capturing data such as the asset age, type, condition and then compiling information and assessing the value of the assets. Further to this, APV has provided the Insurance Value where requested. Throughout this process, APV ensured quality management procedures were implemented to achieve the most accurate asset valuation reporting.

The following methods are used to determine the fair value measurements:

#### LAND

Except in the circumstance of any assets being held for sale (valued in accordance with AASB 5 Assets Held for Sale) or in accordance with specific accounting standards (such as Investment Properties) the balance of the portfolio is valued in accordance with AASB 116 Property Plant and Equipment at Fair Value.

Depending upon the unique circumstances of each lot land has been valued using a range of approaches. Where there is an active market the 'market approach' has been adopted. If its value is primarily dependent on its income generating capability the income approach was used. For other types of land the 'cost approach' was adopted. Details of each approach are detailed below

#### *Level 2 valuation inputs*

Market (Direct Comparison) – This has been applied to land held in freehold title and has been assessed on the basis of the estimated amount which the interest in each property being valued might reasonably be expected to realise on the date of valuation in an exchange between market participants given highest and best use or highest and best alternative use. This was determined by comparison to recent sales of land with similar characteristics. This was then adjusted to reflect condition and comparability. As this was based on observable evidence they have been classified as Level 2.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 37. Fair Value Measurements (continued)

\$ '000

#### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

##### Property, Plant & Equipment (continued)

##### LAND (continued)

Cost (Direct Comparison) - The valuation of some restricted or otherwise non-saleable land has been valued using the cost approach. This approach was used where, assuming if City of Greater Geraldton need to purchase the land or acquire additional land from an adjoining neighbour, the value of that land could be determined based on known zoning and town planning restrictions. This was determined by comparison to recent sales of land with similar characteristics. This was then adjusted to reflect condition and comparability. As this was based on observable evidence they have been classified as Level 2.

##### *Level 3 valuation inputs*

Cost (Hypothetical Analysis) – These were determining the cost approach. However the determination of the replacement cost involved detailed analysis of a hypothetical highest alternative land use. Typically this included estimating the number of potential residential or commercial lots that could be developed on the site. These are observable based on existing Town Planning rules and have been classified as Level 2. The third input is the developer's interest which effectively is the rate of return the developer requires based on the existing market conditions. This requires the valuers to exercise professional judgement and accordingly has been classified as a level 3.

##### BUILDINGS AND INVESTMENT PROPERTIES

The valuation of buildings, structural improvements and site services includes those items that form part of the building services installation (e.g. heating, cooling and climate control equipment, lifts, escalators, fire alarms, sprinklers and fire fighting equipment, and general lighting etc). Excluded are all items of plant, machinery, equipment, cranes, tools, furniture or chattels.

##### *Level 2 valuation inputs*

Market (Direct Comparison) - These were used to determine the fair value of a range of properties. This included the residential properties where the relevant inputs were able to be observed from current market evidence. The residential properties fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size.

##### *Level 3 valuation inputs*

Cost (Depreciated) – This includes specialised buildings as well as some residential properties that were located in isolated locations where there was no evidence to support a market approach. These buildings were valued using the cost approach using professionally qualified Registered Valuers.

Under this approach the cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. The valuer disaggregated the building into different components and for each component determined a value based on the interrelationship between a range of factors. These include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value and pattern of consumption of the future economic benefit.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 37. Fair Value Measurements (continued)

\$ '000

#### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

##### Property, Plant & Equipment (continued)

##### **PLANT & EQUIPMENT**

A fair value valuation of Plant and Equipment has been completed 30/06/2016 by the City's fleet manager. All of the valuations were made on the basis of open market values of similar assets (based on figures supplied by auction groups, council sales records, vehicle valuation guides and the IPWEA Plant and Vehicle Management Manual) adjusted for condition and comparability (Level 2 inputs in the fair value hierarchy).

##### **FURNITURE & EQUIPMENT**

Management conducted a valuation of furniture and equipment effective 30/06/2016 actualising the asset register and aligning the asset class with the capitalisation thresholds outlined in the Significant Accounting Policies. Using level 3 valuation inputs ensured no material variance in existing balance sheet values for this asset class was observed with the carrying amount of each asset fairly stated at reporting date.

##### **ARTWORK**

A valuation of Artwork was conducted by Banziger Hulme Fine Art Consultants P/L 14th November 2014. David Hulme is an approved valuer for the Australian Government's Cultural Gifts Program. The valuation of the collection is based on market value with market value defined as "what a willing buyer would pay a willing seller in an arm's length transaction after proper marketing" of similar assets adjusted for condition and for condition and comparability (Level 2 inputs in the fair value hierarchy).

All property, plant and equipment classes are carried at fair value and subject to revaluation only every 3 years as well as an annual assessment as to whether there is an indication an asset may have been impaired in accordance with AASB 136 "Impairment of Assets".

#### Infrastructure

##### **AIRPORT**

AVP valuers & Asset Management have completed a valuation of the Geraldton Airport - Land, Buildings & Selected Other Structures with the effective date of valuation 30th of June 2015.

Prime Property Valuations Pty Ltd has completed a valuation of land located in the Geraldton Airport Technology Park as a result of the reclassification of the land from Land Held for Resale as Freehold Land under Property, Plant and Equipment (Land) with the effective date of valuation 30th of June 2016.

The following methods are used to determine the fair value measurements:

##### Land

##### *Level 2 valuation inputs*

Cost (Direct Comparison) - The valuation of some restricted or otherwise non-saleable land has been valued using the cost approach. This approach was used where, assuming if City of Greater Geraldton need to purchase the land or acquire additional land from an adjoining neighbour, the value of that land could be determined based on known zoning and town planning restrictions. This was determined by comparison to recent sales of land with similar characteristics. This was then adjusted to reflect condition and comparability. As this was based on observable evidence they have been classified as Level 2.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 37. Fair Value Measurements (continued)

\$ '000

#### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

##### Infrastructure (continued)

##### **AIRPORT (continued)**

##### Buildings

The valuation of buildings, structural improvements and site services includes those items that form part of the building services installation (e.g. heating, cooling and climate control equipment, lifts, escalators, fire alarms, sprinklers and fire fighting equipment, and general lighting etc). Excluded are all items of plant, machinery, equipment, cranes, tools, furniture or chattels.

##### *Level 3 valuation inputs*

Cost (Depreciated) – This includes specialised buildings. These buildings were valued using the cost approach using professionally qualified Registered Valuers. Under this approach the cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. The valuer disaggregated the building into different components and for each component determined a value based on the interrelationship between a range of factors. These include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value and pattern of consumption of the future economic benefit.

##### Road, Equipment and Civil Assets

All road, equipment and civil assets were valued using the cost approach.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

##### **MERU LANDFILL**

AVP valuers & Asset Management have completed a valuation of the Landfill Land and associated Infrastructure assets with the effective date of 30th of June 2015.

The following methods are used to determine the fair value measurements:

##### Land

##### *Level 2 valuation inputs*

Cost (Direct Comparison) - The valuation of some restricted or otherwise non-saleable land has been valued using the cost approach. This approach was used where, assuming if City of Greater Geraldton need to purchase the land or acquire additional land from an adjoining neighbour, the value of that land could be determined based on known zoning and town planning restrictions. This was determined by comparison to recent sales of land with similar characteristics. This was then adjusted to reflect condition and comparability. As this was based on observable evidence they have been classified as Level 2.



## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 37. Fair Value Measurements (continued)

\$ '000

#### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

##### Infrastructure (continued)

##### **MERU LANDFILL (continued)**

###### Buildings

The valuation of buildings, structural improvements and site services includes those items that form part of the building services installation (e.g. heating, cooling and climate control equipment, lifts, escalators, fire alarms, sprinklers and fire fighting equipment, and general lighting etc). Excluded are all items of plant, machinery, equipment, cranes, tools, furniture or chattels.

###### *Level 3 valuation inputs*

Cost (Depreciated) – This includes specialised buildings. These buildings were valued using the cost approach using professionally qualified Registered Valuers. Under this approach the cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. The valuer disaggregated the building into different components and for each component determined a value based on the interrelationship between a range of factors. These include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value and pattern of consumption of the future economic benefit.

###### Road, Equipment and Civil Assets

All road, equipment and civil assets were valued using the cost approach.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

###### Landfill

Landfill comprises both the cells and capping and is classified as a land improvement which is recorded separate to the land. The underlying land is valued independently of the land improvements. The valuation has been determined using the cost approach. This included disaggregating the overall land improvements into a range of different components based on each component providing a different purpose and as a result exhibiting a different useful life. Day to day operating costs (such as minor maintenance and monitoring) has been excluded from the valuation. To provide consistency, any associated day to day revenues have also been excluded from the valuation.

Observable inputs to the valuation included the dimensions and design of the assets, the average unit rate for similar construction based on recent projects undertaken by the entity and the amount of remaining volume in each cell. Unobservable inputs included estimates of the estimated remaining life of the site. This has been based on council's statutory requirement to continue monitoring the site post complete consumption of the landfill. All calculations assume a zero residual value and a constant pattern of consumption. The approach applied for each component was -



## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 37. Fair Value Measurements (continued)

\$ '000

#### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

##### Infrastructure (continued)

##### **MERU LANDFILL (continued)**

##### Landfill (continued)

- Cost to prepare site - based on current costs and depreciate to nil over remaining life of site. These costs were negligible and therefore have not been included as a separate component
- Cost to prepare each cell - based on current cost and depreciated to nil as cell is filled.
- Cost to prepare leachate and overflow ponds - based on current cost and depreciated to nil over period till statutory monitoring is no longer required

Council established a rehabilitation provision for estimated future capping expenditure that is discounted to its present value, with the unwinding of the discount being charged to the statement of comprehensive income within the amortisation charge. The discounted present value of the future capping expenditure is capitalised as part of the Landfill asset (2015-2016: \$ 9,195,308) and is amortised on a straight-line basis.

At each reporting date the restoration and rehabilitation liability is re-measured to account for any new disturbance, updated cost estimates, inflation, changes to the estimated reserves and lives of operations, new regulatory requirements, environmental policies and revised discount rates. Changes to the restoration and rehabilitation liability are added to or deducted from the related rehabilitation asset and amortised accordingly.

##### **OTHER INFRASTRUCTURE**

##### **Roads (Drainage, Bridges, Roundabouts, Medians and Islands, Streetlighting, Bus Shelters, Footpaths)**

Assets revalued and reviewed by Management with data sourced from the ROMAN database, Intramaps, CadCorp and extensive field audits conducted by the Asset Management Team and the ARRB (Australian Road Research Board).

##### **Car Parks**

Assets revalued and reviewed by Management with data sourced from MyData, Roman and condition assessments undertaken by ARRB on sealed carparks.

A reasonably flat rate asset condition distribution has been applied with an average RUL (Remaining Useful Life) of 60% of Design Life being applied across the portfolio.

##### **Recreation (Parks)**

Recreation (Parks) assets was revalued and reviewed by Management through its myData register 30/06/2015. MyData is based on asset lifecycle costing with automated valuations complying with Australian Accounting Standards.

Valuation is based on a combination of age and condition of the asset. Certain valuations were made on the basis of open market values of similar assets adjusted for condition and comparability (Level 2 inputs in the fair value hierarchy) and certain valuations were made having regard for current replacement cost and residual values (cost based approach, which are Level 3 inputs in the fair value hierarchy). Given the significance of the Level 3 inputs into the overall fair value measurement, the assets are deemed to have been valued using Level 3 inputs. These Level 3 inputs are based on the assumptions with regard to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 37. Fair Value Measurements (continued)

\$ '000

**(4). Fair value measurements using significant unobservable inputs (Level 3)****a. The following tables present the changes in Level 3 Fair Value Asset Classes.**

|                                       | Land              | Buildings          | Furniture<br>&<br>Equipment | Roads              | Total              |
|---------------------------------------|-------------------|--------------------|-----------------------------|--------------------|--------------------|
| Adoption of AASB 13                   | 3,456,000         | 96,965,353         | 1,506,600                   | 567,776,619        | 669,704,572        |
| <b>Closing Balance - 30/6/15</b>      | <b>3,456,000</b>  | <b>96,965,353</b>  | <b>1,506,600</b>            | <b>567,776,619</b> | <b>669,704,572</b> |
| Purchases (GBV)                       | -                 | 10,864,266         | 281,064                     | 14,982,935         | 26,128,265         |
| Disposals (WDV)                       | -                 | (52,606)           | (2,243)                     | -                  | (54,849)           |
| Depreciation & Impairment             | -                 | (3,071,695)        | (390,086)                   | (14,919,685)       | (18,381,466)       |
| FV Gains - Other Comprehensive Income | -                 | (128,184)          | -                           | -                  | (128,184)          |
| Transfer between Asset Classes        | -                 | -                  | (190,506)                   | -                  | (190,506)          |
| <b>Closing Balance - 30/6/16</b>      | <b>3,456,000</b>  | <b>104,577,134</b> | <b>1,204,829</b>            | <b>567,839,869</b> | <b>677,077,832</b> |
|                                       | Recreation        | Car Parks          | Meru<br>Landfill            | Airport            | Total              |
| Adoption of AASB 13                   | 30,552,746        | 11,044,634         | 13,719,797                  | 26,834,300         | 82,151,477         |
| <b>Closing Balance - 30/6/15</b>      | <b>30,552,746</b> | <b>11,044,634</b>  | <b>13,719,797</b>           | <b>26,834,300</b>  | <b>82,151,477</b>  |
| Purchases (GBV)                       | 5,566,031         | 378,111            | 202,735                     | 730,832            | 6,877,709          |
| Depreciation & Impairment             | (592,464)         | (437,953)          | (354,176)                   | (575,103)          | (1,959,696)        |
| Other movement                        | -                 | -                  | (69,250)                    | -                  | (69,250)           |
| <b>Closing Balance - 30/6/16</b>      | <b>35,526,313</b> | <b>10,984,792</b>  | <b>13,499,106</b>           | <b>26,990,029</b>  | <b>87,000,240</b>  |

**(5). Highest and best use**

All of Council's non financial assets are considered to being utilised for their highest and best use.

## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 38. "Held for Sale" Non Current Assets & Disposal Groups

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\$ '000

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Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

#### Note 39. Investment Properties

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Council has not classified any Land or Buildings as "Investment Properties"

#### Note 40. Intangible Assets

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Intangible Assets represent identifiable non-monetary asset without physical substance.

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

#### Note 41. Equity - Retained Earnings and Reserves Adjustments

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##### (a). Correction of Error/s relating to a Previous Reporting Period

Council made no correction of errors during the current reporting period.

##### (b). Voluntary Changes in Accounting Policies

Council made no voluntary changes in any accounting policies during the year.

#### Note 42. Discontinued Operations

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Council has not classified any of its Operations as "Discontinued".

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 43. Events occurring after the Reporting Period

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\$ '000

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Events that occur between the end of the reporting period (ending 30 June 2016) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 16/09/16.

Events that occur after the Reporting Period represent one of two types:

##### **(i) Events that provide evidence of conditions that existed at the Reporting Period**

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2016.

##### **(ii) Events that provide evidence of conditions that arose after the Reporting Period**

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

Council is unaware of any material or significant "non-adjusting events" that should be disclosed.

# City of Greater Geraldton

## Notes to the Financial Statements for the year ended 30 June 2016

### Note 44. Council Information & Contact Details

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**Principal Place of Business:**

63 Cathedral Avenue  
Geraldton WA 6530

**Contact Details****Mailing Address:**

63 Cathedral Avenue  
Geraldton WA 6530

**Opening Hours:**

Monday - Friday  
8.30am to 5.00pm

**Telephone:** 08 9956 6600

**Facsimile:** 08 9956 6674

**Internet:** [www.cgg.wa.gov.au](http://www.cgg.wa.gov.au)

**Email:** [council@cgg.wa.gov.au](mailto:council@cgg.wa.gov.au)

**Officers****CHIEF EXECUTIVE OFFICER**

Ken Diehm

**Elected Members****MAYOR**

Shane van Styn

**AUDITORS**

AMD Chartered Accountants  
Unit 1, 28 Wellington Street  
Bunbury WA 6230

**COUNCILLORS**

Graeme Bylund  
Steve Douglas  
Lewis Freer  
David Caudwell  
Michael Raymond  
Laurie Graham  
Tarleah Thomas  
Jennifer Critch  
Robert Hall  
Victor Tanti  
Neil McIlwaine  
Natasha Colliver  
Renee Ellis  
Simon Keemink

**Other Information**

**ABN:** 55 907 677 173

## **INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE CITY OF GREATER GERALDTON**

### **Report on the Financial Report**

We have audited the accompanying financial report of the City of Greater Geraldton, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity, the rate setting statement, and the statement of cash flows for the year ended 30 June 2016, a summary of significant accounting policies and other explanatory notes, and the Chief Executive Officer's statement.

### **Management's responsibility for the financial report**

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), and for such internal control as Management determines necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks and material misstatements of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

## **Opinion**

In our opinion, the financial report of the City of Greater Geraldton

- i. gives a true and fair view of the City of Greater Geraldton's financial position as at 30 June 2016 and of its performance for the financial year ended 30 June 2016;
- ii. complies with Australian Accounting Standards; and
- iii. is prepared in accordance with the requirements of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

## **Statutory Compliance**

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- i. There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the City.
- ii. There are no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law noted during the course of our audit.
- iii. The asset consumption ratio and the asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions.
- iv. All necessary information and explanations were obtained by us.
- v. All audit procedures were satisfactorily completed during our audit.

## **AMD Chartered Accountants**



**MARIA CAVALLO**

**Partner**

Bunbury, Western Australia

Dated this 19<sup>th</sup> day of September 2016

19 September 2016

**Mr S Van Styn**  
**Chairman**  
**Audit Committee**  
**City of Greater Geraldton**  
**PO Box 101**  
**GERALDTON WA 6531**

Dear Shane

**CITY OF GREATER GERALDTON**  
**30 JUNE 2016 MANAGEMENT REPORT**

Following completion of our 30 June 2016 audit, we provide our Management Report and audit recommendations.

**1.0 Our Audit Approach**

The Australian Auditing Standards are the professional Standards applicable to all audit engagements. Accordingly, our audit was conducted in accordance with Australian Auditing Standards, with testing designed solely to enable the expression of an opinion on the financial report of the City of Greater Geraldton. This involved us making an assessment of the risk of material misstatement, whether due to fraud or error, and then using our professional judgement, applying audit procedures to mitigate that risk.

To assist Council in understanding our role as external auditor, we have previously detailed our audit responsibilities and scope of work to be performed to meet those responsibilities in our audit engagement letter.

Australian Auditing Standards require us to document and evaluate City of Greater Geraldton's system of internal control to establish the level of reliance on the internal control system in determining the nature, timing and extent of other auditing procedures necessary to enable us to complete our audit. This work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities and should not, therefore, be taken to assume that no other weaknesses exist. Accordingly the comments within this letter refer only to those matters that have come to our attention during the course of our normal audit work and may not identify all possible improvements that an internal controls review may detect.

Our audit approach is based on a risk analysis methodology which relies upon our understanding of City of Greater Geraldton's operations, strategies and risks. We performed a review of applicable accounting systems and tested those during our audit. The level of testing performed by us is determined by the degree of reliance we place on the internal control systems in place which has a resulting impact on the amount of substantive testing required during our audit procedures. The level of testing performed is also aligned with what is required to form an overall opinion on the financial statements which may not coincide with what the City of Greater Geraldton perceives should be tested.



Our audit also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and judgements, as well as evaluating the overall presentation of the financial report. There were no areas of disagreement either in the accounting estimates or judgements or in the presentation and disclosures made in the financial report.

### **1.0 Assessment of Fraud and Error**

The primary responsibility for the prevention and detection of fraud is that of Council and management. As a result, it is important that management with the oversight of Council place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and resulting consequences.

In accordance with Australian Auditing Standards we are required to obtain reasonable assurance that the financial report taken as a whole is free from material misstatement, whether caused by fraud or error. While our procedures are designed to identify material weaknesses and misstatements from fraud and error, there is an unavoidable risk that even some material misstatements may remain undiscovered. This unavoidable risk is due to the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system.

We have confirmed that nothing has come to management's attention that may constitute an incident of fraud, with exception of the anomalies identified at the Meru Waste Facility in June 2016, of which we understand investigations are ongoing as at the date of this report. Other than this matter our audit procedures did not identify any instances of suspected or actual fraud. We take this opportunity to remind you that our audit is not designed to detect fraud and therefore our audit procedures are not designed for that purpose.

### **2.0 Audit Adjustments and Unadjusted Audit Differences**

During the course of our audit, we did not identify any misstatements considered to be material at a financial report level and therefore no adjustment was required to be reflected within the final audited financial report. Please refer to Appendix 2 for unadjusted audit differences.

### **3.0 Accounting Policies**

We confirm to you that we are not aware of any changes to the accounting policies of the City of Greater Geraldton since 30 June 2015 in respect of the preparation of the 30 June 2016 financial report other than those changes required under Australian Accounting Standards and the Local Government Act and Regulations which are adequately disclosed.

### **4.0 Commitments and Contingencies**

On completion of our audit and subsequent discussions with management, we did not identify any additional commitments or contingencies that required disclosure within the financial report of the City of Greater Geraldton, apart from those already disclosed.

### **5.0 Subsequent Events**

We did not identify any additional subsequent events up until the date of this report that required disclosure within the financial report of the City of Greater Geraldton, apart from those already disclosed.

## **7.0 Fair Value Re-assessment**

As required by Regulation 17A of the Local Government (Financial Management) Regulations 1996 a local government must re-assess each class of asset every three years.

We note the City of Greater Geraldton completed a fair value re-assessment for plant and equipment and furniture and equipment classes of assets as at 30 June 2016.

Our review of documentation provided and discussions with management indicated the fair values for plant and equipment were obtained by the Fleet Manager through auction group records, internal sales records, valuation guides and the IPWEA plant and vehicle management manual. However we were not provided with documents or calculations to support individual plant assets we selected for verification.

Please ensure in future years the basis of calculation of fair values is retained and provided to us as part of the audit process.

## **8.0 Financial Ratio Performance Measures**

A review of City of Greater Geraldton's financial ratios as included within Note 22 of the financial report indicates the following adverse trends based on Department of Local Government and Communities guidelines:

- ) Current asset ratio as at 30 June 2016 is calculated at 0.92 (recommended to be 1 or greater as per guidelines).
- ) Asset sustainability ratio as at 30 June 2016 is calculated at 0.65 (recommended to be 0.9 or greater as per guidelines).
- ) Operating surplus ratio as at 30 June 2016 is calculated at -13.69 (recommended to be 1 or greater as per guidelines).

As a result of the above, we recommend Council continue to consider the impact on ratios and long term sustainability when making decisions regarding asset renewal, additional borrowings and setting rates for future years.

## **9.0 Local Government Act Compliance Measures**

In conjunction with our review of the financial statements, we also perform a review of the City of Greater Geraldton's compliance with the Local Government Act and Local Government Financial Management Regulations. We did not identify any items of non-compliance.

## **10.0 Interim Audit Recommendations**

We note the recommendations from our interim audit completed in February 2016 have been subsequently actioned/completed. We would like to thank management for being pro-active in responding to our internal control recommendations.

## 11.0 Other Matters

In accordance with the terms of our engagement letter, we have a responsibility to provide an opinion in respect to the City of Greater Geraldton's annual financial report as to whether it is free from material misstatement. Our audit report for 30 June 2016 is unqualified with our opinion stating the financial report presents fairly the financial position of the City of Greater Geraldton, as at and for the year ending 30 June 2016.

Our audit indicated procedures and controls in respect to the City of Greater Geraldton's internal processes, procedures and financial reporting framework are adequately designed and have been maintained to high standards throughout the audit period.

Please refer to Appendix 1 for audit recommendations and comments arising from our 30 June 2016 audit.

Our management report is on an exception basis, and therefore we have not commented on the various internal controls in place within your accounting systems.

We would like to take this opportunity to thank Auke, Temba and the finance team for the assistance provided to us during our audit. We appreciate that all reconciliations and supporting documentation requested from the finance team was provided in a timely manner, which enables us to complete the audit efficiently.

Should you have any questions concerning the above or would like to discuss any other aspect of our audit, please do not hesitate to contact me.

Yours sincerely

**AMD Chartered Accountants**

A handwritten signature in black ink, appearing to read 'M Cavallo', with a stylized flourish underneath.

**MARIA CAVALLO CA**

**Partner**

cc

Ken Diehm  
Chief Executive Officer

**APPENDIX 1**  
**Audit Recommendations for the year ended 30 June 2016**

---

**GUIDANCE TO FINDINGS RATING / IMPLICATION**

*Findings identified during the final audit have been weighted in accordance with the following scale:*

*Significant: Those findings where there is potentially a significant risk to the entity should the finding not be addressed promptly.*

*Moderate: Those findings which are of sufficient concern to warrant action being taken by the entity as soon as possible.*

*Minor: Those findings that are not of primary concern however still warrant action being taken.*

**AUDIT FINDINGS**

**1. PRIVATE WORKS INVOICING**

***Finding Rating: Moderate***

Discussions with management and our review of the private works job listing at 30 June 2016 indicate private works jobs completed between April and June 2016 had not been invoiced to customers promptly following job completion. As a result accrued income of \$122,312.47 was recorded at 30 June 2016 to reflect Water Corporation private works completed but not yet invoiced.

We also noted other minor private works jobs completed in December 2015 or prior which have not yet been invoiced.

**Implication**

Risk of understatement of private works revenue.

**Recommendation**

We recommend a review of private works jobs is completed at least on a monthly basis to identify jobs required to be invoiced or any other major private works jobs which may require progress billing.

**Management Comment**

During the financial year 15/16 a major restructure has taken place at CGG with redundancies and resignations leading to multiple positions being vacant for the shorter term and longer term until they could be filled. This time lapse resulted in a processing backlog in areas affected by the restructure, in particular at the Works Depot where the invoicing of private works and reinstatements is initiated. At the end of the financial year, with most positions filled, CGG was able to clear the backlog with reinstatements invoiced in full and minor private works invoicing still outstanding. The risk is considered to be of a minor nature as the delayed invoicing was not caused by a deficiency of the internal control process but was due to a lack of resources at a particular moment in time.

**APPENDIX 1**  
**Audit Recommendations for the year ended 30 June 2016**

---

## **2. EXCESSIVE LEAVE**

### ***Finding Rating: Minor***

From our review of the annual leave listing, we noted employees who have accrued in excess of six weeks annual leave at year end. We also note from our review of the long service leave listing there were four employees with greater than twelve weeks long service leave accrued.

#### **Implication**

1. The cost to Council is greater if annual leave is not paid out on a regular basis due to the cumulative effect of salary increases over a period of time.
2. Recreational leave enhances employee performance.
3. It is a fundamental principle of good internal control that all employees take regular holidays.

#### **Recommendation**

We recommend leave balances are managed to reduce the number of employees with excess leave due.

#### **Management Comment**

This issue has been identified internally for some time and is a whole of organization priority to manage leave entitlements more effectively. The City acknowledges that recent restructures (20% reduction in FTE's) and the need to maintain adequate resourcing requirements would have negatively impacted on the level of leave entitlements. Managements reports are distributed at least annually to both assist in identifying staff with excessive entitlements, to plan their leave and at the same time maintain service delivery.

## **3. LEAVE FORMS**

### ***Finding Rating: Minor***

Our testing of leave balances identified instances where personal leave taken (as recorded in Synergy) could not be agreed to authorised leave forms.

#### **Implication**

Risk of misstatement of employee leave balances.

#### **Recommendation**

Please ensure leave forms are completed by employees and authorised by management prior to leave being taken.

#### **Management Comment**

Finance has raised this issue at management level and will continue to do so in relation to both improved management and to adhering to the processes in place for approval of personal leave and cross referencing to fortnightly timesheets.

**APPENDIX 1**  
**Audit Recommendations for the year ended 30 June 2016**

---

**4. TITLE DEED LISTING**

***Finding Rating: Minor***

We identified that the title for Lot 48 and 58 Harrison and Catherine Street continues to be listed on City of Greater Geraldton's title deed listing despite being sold in the prior year.

**Implication**

Title deed listing included land no longer owned by the City of Greater Geraldton.

**Recommendation**

We recommend any properties disposed of be removed from the title deed listing.

**Management Comment**

There is currently no written process in place for deleting title information from the register following disposal of City land; the Titles have now been removed.

To ensure this will not occur again, a process will be created to ensure such information is removed from the register following the date of settlement.

**APPENDIX 2**  
**Unadjusted Audit Differences for the year ended 30 June 2016**

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**Summary of Unadjusted Audit Differences**

The following audit adjustments were not raised following our audit and therefore not reflected within the 2016 financial report on the basis they do not materially impact on the 30 June 2016 audited result.

However as your auditors, we are required to bring these to management's attention.

| <b>CITY OF GREATER GERALDTON<br/>UNADJUSTED AUDIT DIFFERENCES<br/>30 JUNE 2016</b> |                     |                      |
|--|---------------------|----------------------|
| <b>Account Name</b>  | <b>\$<br/>Debit</b> | <b>\$<br/>Credit</b> |
| Land at fair value   | 89,699              |                      |
| Asset revaluation reserve  |                     | 89,699               |
| <i>Reconcile land valuation to valuation report.</i>                               |                     |                      |
|  |                     |                      |
| Various expenses   | 103,040             |                      |
| Accrued expenses   |                     | 103,040              |
| <i>Record accrued expenses identified.</i>   |                     |                      |

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**5. AC044 STATUS OF RISK MANAGEMENT AND COMPLIANCE ACTIVITIES**

|   |
|---|
| AC044 STATUS OF RISK MANAGEMENT AND COMPLIANCE ACTIVITIES |
|---|

|                               |   |
|-------------------------------|---|
| <b>AGENDA REFERENCE:</b>      | <b>D-16-58206</b>   |
| <b>AUTHOR:</b>                | <b>B Pearce, Coordinator Procurement &amp; Risk</b>                     |
| <b>EXECUTIVE:</b>             | <b>B Davis, Director Department Corporate &amp; Commercial Services</b> |
| <b>DATE OF REPORT:</b>        | <b>24 September 2016</b>  |
| <b>FILE REFERENCE:</b>        | <b>RM/1/0003</b>  |
| <b>APPLICANT / PROPONENT:</b> | <b>The City of Greater Geraldton</b>                                    |
| <b>ATTACHMENTS:</b>           | <b>No</b>   |

**EXECUTIVE SUMMARY:**

The purpose of this report is to provide a summary of the current Operational Risk Management review and the status of the City Business Continuity Management (BCM) planning.

**EXECUTIVE RECOMMENDATION;**

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to:

1. NOTE the City of Greater Geraldton's status with regards to;
  - a. The progress of the Operational Risk Management review.
  - b. The progress of the City Business Continuity Management planning.
2. REQUIRE the City to provide a full risk management report to Council by 20 December 2016.

**PROponent:**

The proponent is the City of Greater Geraldton.

**BACKGROUND:****PROMAPP RISK MODULE ROLLOUT**

Previous reports to the Audit Committee have referred to the proposed use of the City's newly acquired "Promapp" (process mapping and information capture) software as a tool for the capture and reporting of risk management activities and information, across the organisation.

The Promapp process module was successfully implemented across the City in June 2016.

Promapp risk module training and Risk Register development sessions have now commenced for all Departments.



The following Departments Risk Registers have been completed:

|    |                                    |    |  |
|----|------------------------------------|----|--|
| 1  | Fleet Services                     | 15 | Geraldton Airport                      |
| 2  | Ranger Services Team               | 16 | Library and Heritage Services          |
| 3  | Economic Development               | 17 | Health Services Team                   |
| 4  | Mullewa District Office            | 18 | Sport and Leisure                      |
| 5  | Executive Office                   | 23 | Treasury and Finance                   |
| 6  | Safety Services Team               | 24 | Geraldton Visitors Centre Team         |
| 7  | Urban and Regional Development     | 25 | ICT Services                           |
| 8  | Community and Cultural Development | 26 | Procurement and Risk                   |
| 9  | Maintenance Operations             | 27 | Major Project- Abraham St (roundabout) |
| 10 | Waste Services                     | 28 | Major Project- Beresford Foreshore     |
| 11 | Events Team                        | 29 | Major Project – Olive Street           |
| 12 | Communications Team                | 30 | Major Project – Festival               |
| 13 | Governance Team                    | 31 | Organisational Risk                    |
| 14 | Project Design and Delivery        |    |  |

### **RISK TREATMENT IDENTIFIED AND SIGN OFF**

At the completion of Promapp Risk module training Departmental staff are required to document draft treatment plans and actions into the Promapp risk module for all risks identified. Treatment owners assess, review and finalise draft Promapp processes and treatment plans, and create links to established procedures where relevant.

The timeframe for completion of the risk treatment sign off is between 31 October 2016 to 23 December 2016, depending on the significance of the risk and the resources of the Department concerned.

### **PROMAPP RISK MODULE STRUCTURE**

The Promapp Risk module has been developed to reflect the current City organisation structure and risk methodology as defined in the City's Risk Management Framework.

This structure has been further refined to enable the categorisation of Risks into 3 Risk Register Categories as follows.

1. **Department Risk Registers**
  - a. Department specific risks
2. **Major Project Risk Registers**
  - a. Project specific risks
3. **Organisational Risk Registers**
  - a. City wide risks effect whole of City Operations
    - Asset & Infrastructure Management
    - Compliance Management
    - Environment & Public Health Management
    - Financial Management
    - Human Resource Management
    - Information Communication Technology Management
    - Public Relations Management

- Safety Management

This refinement of risks across these 3 categories has streamlined processes and removed the previous high level of duplication of effort and resources in developing and managing Department risk registers. The 3 categories ensure that City wide risks are managed by the correct area.

The use of Promapp to capture Major Project Risk Registers and treatment plans has also significantly improved the effectiveness and efficiencies of Major Projects risk management planning.

### **EMT RISK REPORTING**

The documentation of Departmental, Organisational and Major Project risks in the Promapp system has enabled monthly reporting on the effectiveness of risk management to the Executive Management Team (EMT).

The first such risk report was submitted to EMT at the end of August 2016

### **AUDIT & COUNCIL RISK REPORTING**

The completion of the Operational Risk review will enable the City to provide a full risk report to the Audit Committee and demonstrate that the City has adequate risk management processes in place with controls (treatments) effectively managed.

The Operational Risk review indicative timeframes are as follows:

**01 September 2016** – Completion of Risk Identification & Assessment

**21 October 2016** – First Draft of the Risk Report

**31 October 2016** –LGIS Governance & Risk Service review of Risk Report

**31 October 2016** – deadline for majority of significant Risk Treatments.

**02 November 2016** – Draft Risk Report to EMT for approval.

**20 December 2016** – Risk Report submission to Council.

**31 December 2016** – final deadline for minor risk treatments

### **RISK MANAGEMENT REFRESHER**

To support the implementation of the Promapp risk module a Risk Management refresher course has been delivered to all managers, senior staff and officers to ensure that risk matters are identified in a consistent and effective manner within the Risk Management framework.

At the conclusion of the development of the Risk Registers all Departments will have identified on average 4-6 significant risks per team, with the reduction in identified risks resulting from the correct assessment and assignment of risks.

**CITY BUSINESS CONTINUITY MANAGEMENT (BCM)**

The City has entered into a contract with Geraldton Data Centre, through the WALGA panel, for Disaster Recovery and Business Continuity services via a cloud-based solution for all City ICT Services. This arrangement is to ensure that the initial crisis management and system recovery will be fast and effective in the event of a ICT service disruption.

The City will commence the full BCM review and development upon completion of the full Operational Risk review and the subsequent report to Council. The anticipated commencement of this review shall be December 2016.

Prior to commencement of the BCM development the City time will document all priority functions for managing risk into Promapp, inclusive of processes and treatments. This full documentation of City critical processes will provide reference to all required critical functions in the final Crisis Management & Business Continuity Response Plan and thereby streamline the BCM review and development, which is expected to be substantially completed by the end March 2017, with a possible BCM exercise in April – May 2017.

**ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:****Economic:**

There are no economic impacts.

**Social:**

There are no social impacts.

**Environmental:**

There are no environmental impacts.

**Cultural & Heritage:**

There are no cultural or heritage impacts.

**RELEVANT PRECEDENTS:**

*AC039 Status of City Risk Management Activities, Oct 2015 Report on Operational risk management.*

**COMMUNITY/COUNCILLOR CONSULTATION:**

There has been no community/councillor consultation.

**LEGISLATIVE/POLICY IMPLICATIONS:**

*Local Government (Audit) Amendment Regulations 2013 Regulation 17 compliance requirement*

**FINANCIAL AND RESOURCE IMPLICATIONS:**

There are no financial or resource implications.

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**INTEGRATED PLANNING LINKS:**

|                   |  |
|-------------------|--|
| Title: Governance | Planning and Policy                                  |
| Strategy 5.2.7    | Ensuring efficient and effective delivery of service |

**REGIONAL OUTCOMES:**

There are no impacts to regional outcomes.

**RISK MANAGEMENT**

The purpose of this item is to report on the development and implementation of effective risk management systems throughout the City. Should the City fail to successfully undertake the above mentioned activities the City will be unable to adequately meet its obligations with regards to risk management.

**ALTERNATIVE OPTIONS CONSIDERED**

No alternatives have been considered, as risk management systems are a regulatory requirement, and this process will deliver the necessary plans and action frameworks for compliance.

## 6. AC045 REVIEW OF COMPLIANCE –FINANCIAL MANAGEMENT SYSTEMS AUDIT REPORT- ACTIONS

|   |
|---|
| AC045 FINANCIAL MANAGEMENT SYSTEMS AUDIT- ACTIONS |
|---|

|                               |   |
|-------------------------------|---|
| <b>AGENDA REFERENCE:</b>      | <b>D-16-57866</b>   |
| <b>AUTHOR:</b>                | <b>M Adam, Governance Coordinator</b>   |
| <b>EXECUTIVE:</b>             | <b>B Davis, Director Department of<br/>Corporate and Commercial Services</b>                      |
| <b>DATE OF REPORT:</b>        | <b>12 September 2016</b>  |
| <b>FILE REFERENCE:</b>        | <b>FM/3/0003</b>  |
| <b>APPLICANT / PROPONENT:</b> | <b>The City of Greater Geraldton</b>  |
| <b>ATTACHMENTS:</b>           | <b>A. Regulation 17 Review worksheet<br/>B. Financial Management Systems<br/>Review worksheet</b> |

### EXECUTIVE SUMMARY:

This report provides the Audit Committee with a report on the management actions from the AMD Financial Systems review 2016.

### EXECUTIVE RECOMMENDATION;

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to:

1. NOTE the Report on the management actions on the AMD Financial Systems Review 2016 as recorded in the attached worksheets Attachment A and B, AC045.

### PROPONENT:

The proponent is the City of Greater Geraldton.

### BACKGROUND:

The Audit Committee at their meeting on 1 March 2016 endorsed the following recommendation:

5. *REQUIRE a report on the Management Actions from the AMD 2016 Financial Management Systems Review to be presented to the Audit Committee at the next scheduled Committee Meeting.*

And noted:

*Management Actions on the AMD 2016 Financial Management System Review are to be itemised on a working report with details of the responsible officer, expected date of completion and a risk rating. The report is to be submitted to the Audit Committee at the next meeting.*

The attached working reports Attachment A and B AC045 provide the Committee with the information as required.

### ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:

#### Economic:

There are no economic impacts.

**Social:**

There are no social impacts.

**Environmental:**

There are no environmental impacts.

**Cultural & Heritage:**

There are no cultural or heritage impacts.

**RELEVANT PRECEDENTS:**

Internal audits are conducted from time to time, form part of the internal control systems of the organisation and are aimed at improving internal controls and accounting, compliance processes to minimise risks.

**COMMUNITY/COUNCILLOR CONSULTATION:**

There has been no community/councillor consultation.

**LEGISLATIVE/POLICY IMPLICATIONS:**

*Local Government (Audit) Amendment Regulations 2013 Regulation 17*

**FINANCIAL AND RESOURCE IMPLICATIONS:**

There are no financial or resource implications.

**INTEGRATED PLANNING LINKS:**

|                   |  |
|-------------------|--|
| Title: Governance | Planning and Policy                                  |
| Strategy 5.2.7    | Ensuring efficient and effective delivery of service |

**REGIONAL OUTCOMES:**

There are no impacts to regional outcomes.

**RISK MANAGEMENT****ALTERNATIVE OPTIONS CONSIDERED**

No alternatives have been considered.

**APPENDIX A**  
**CITY OF GREATER GERALDTON**  
**RISK MANAGEMENT**

| No. | Finding   | Recommendation   | Responsible Officer  | Management Comment Actions  | Completion Date  |
|-----|---|--|--|---|------------------|
| 1   | <p>The CGG Risk Framework, including risk register and accompanying risk management policies were not reviewed in accordance with stated next review date.</p> <p>Out of date Risk Management policies include:</p> <ul style="list-style-type: none"> <li>• CP006 Risk Management</li> <li>• CP008 Occupational Safety and Health</li> <li>• CP036 Risk Tolerance &amp; Appetite</li> <li>• OP005 CGG Risk Management Framework</li> </ul> <p>CGG's risk policies and procedures do not include:</p> <p>(a) litigation/claims policy; and</p> <p>(b) media policy.</p> | <p>The CGG Risk Management Framework, including the risk register and accompanying risk management policies, be reviewed on an ongoing basis.</p> <p>The Risk Management Framework to include a litigation/claims policy and media policy.</p> | <p>Brodie Pearce</p> <p>Coordinator<br/>Procurement and Risk</p> | <p><u>Management Comment</u></p> <p><i>The on-going review and validation of all risk registers slowed after Sept 2014 as the City undertook planning and selection of a risk management software package, with selection of Promapp confirmed in late 2015, to commence implementation in March – April 2016.</i></p> <p><i>The City will review requirements for litigation/claims procedures. These matters are generally managed by the City's solicitors in conjunction with insurers.</i></p> <p><i>The City is not committed to framing further media risk handling procedures, with tight controls over media management exercised by the CEO in conjunction with the Mayor, on a day to day basis.</i></p> <p><u>Actions</u></p> <p>Policies CP036 and OP005 Have been retired.</p> <p>Policies CP006 and OP 008 were reviewed and updated – next review 2018.</p> | <p>Completed</p> |

|   |   |   |  |   |  |
|---|---|---|--|---|--|
|   |   |   |  | <p>The Risk Management Framework is current.</p> <p>The Insurance Process has been updated and approved within Promapp – Process software.</p>  |  |
| 2 | <p>There is no ongoing assessment of key operational risks completed by management, in particular those risks identified as high within the City's Risk Register.</p> | <p>(EMT) complete an ongoing assessment of key operational risks on a regular basis which includes:</p> <ul style="list-style-type: none"> <li>• Ongoing review of risks assessed as high including design, implementation and monitoring of mitigating controls;</li> <li>• Identification of organisational structure and operational changes which may cause risk assessment changes; and</li> <li>• Preparation and presentation of risk reports to the Audit Committee / Council on a regular basis to enable informed decisions to be made (refer recommendation number 3 below for further details regarding risk reports).</li> </ul> | <p>Brodie Pearce</p> <p>Coordinator<br/>Procurement and Risk</p> | <p><u>Management Comment</u></p> <p><i>Due to resource constraints, risk management process implementation across the City slowed after 2014, pending implementation of a risk management software package which was confirmed in late 2015 (Promapp) and which will commence roll out in March – April 2016. The City was assisted in the key initial stages of development of risk registers by LGIS.</i></p> <p><i>Introduction of periodic reporting for risk monitoring, to EMT, the Audit Committee and Council was deferred, with reporting on the City's risk profile dependent on Promapp implementation.</i></p> <p><i>Regular reporting will be supported by this software system.</i></p> <p><u>Actions</u> The Risk module with Promapp has been successfully implemented across the</p> |  |



|   |  |   |  |   |             |
|---|--|---|--|---|-------------|
|   |  |   |  | <p>organisation, to capture risk information.</p> <p>Monthly reports to the Executive Management Team commenced July 2016.</p> <p>An operational risk review is in progress due for completion December 2016.</p>   | December 16 |
| 3 | <p>Risk reports are not provided to the Audit Committee / Council on a regular basis.</p> <p>CGG Risk Management Framework (version 3 dated 28 April 2015) states:</p> <ul style="list-style-type: none"> <li>• The Risk Management Committee will provide a quarterly report to the Council Audit Committee on the status of risk management across the City;</li> <li>• The Risk Management Committee shall provide an annual report to Council (through EMT) on the overall status of risk management across the City; and</li> <li>• The Risk Management Committee shall provide a biannual report to the Audit Committee (through EMT) on the overall status of risk management across the City.</li> </ul> | <p>As best practice and in accordance with Council Risk Management Framework, it is recommended that regular risk reports be provided to the Audit Committee / Council which identify key risks, the status and effectiveness of the risk management systems in place at the CGG, risk monitoring, new risks identified and how risks have been mitigated / treated.</p> <p>We recommend a standing agenda item be added to the Audit Committee meeting agenda for risk reports to be tabled.</p> | <p>Brodie Pearce</p> <p>Coordinator<br/>Procurement and Risk</p> | <p><i><u>Management Comment</u></i><br/><i>Recommendation accepted.</i></p> <p><u>Actions</u><br/>An Agenda item addressing risk reporting is included in the Audit Committee Agenda 3.10.16</p> <p><u>Actions</u><br/>A Standing Agenda item for Compliance added to Audit Committee Agenda.</p> | October 16  |

|   |  |   |   |  |             |
|---|--|---|---|--|-------------|
|   | Risk reports are not being prepared and presented in accordance with stated policy.  |   |   |  |             |
| 5 | <p>From our review of CGG's CP 034 Fraud Control Policy (last reviewed August 2015 with next review date states as 2017) and subsequent inquiries of management, the following was noted:</p> <ul style="list-style-type: none"> <li>A fraud control plan has not been developed as required by section 5 of the policy;</li> <li>Furthermore, the fraud control policy did not have a process for reporting suspected or known fraud to an external party to allow employees, contractors, volunteers and councillors to remain anonymous.</li> </ul> | As best practice we also suggest Council consider the use of an external party for reporting suspected or known fraud.  | Paul Radalj<br>Manager<br>Treasury and<br>Finance       | <p><u>Management Comments</u><br/><i>The policy states that the Fraud Control Plan is to be developed by August 2017.</i></p> <p><u>Actions</u><br/>Council Policy CP034, Fraud Control is currently being reviewed as part of an all-inclusive review of the City's Council Policy Register</p> | In Progress |
| 6 | <p>No formal contract manager role has been identified and assigned (i.e. there is no one responsible for overall contract management).</p> <p>Projects are managed within each directorate and the process with which each directorate manages projects is different.</p>   | <p>A policy and procedure is designed and documented to ensure project contracts are uniformly managed appropriately and in accordance with stated policy.</p> <p>Compliance checklists be utilised to ensure compliance is met on all project contracts.</p> | Brodie Pearce<br>Coordinator<br>Procurement and<br>Risk | <p><u>Management Comments</u><br/><i>Under current review of organisational structure, a Contract officer role has been identified as a high priority.</i></p> <p><u>Action</u><br/>A specialist procurement officer has been appointed to the Infrastructure services team.</p>                 |             |

|   |   |  |  |  |  |
|---|---|--|--|--|--|
|   | Contract compliance checklists are not uniformly utilised in managing project contracts across all directorates.  |  |  | <p>A new compliance / tender process is being developed and will be rolled out in the near future.</p> <p>30 procurement processes have been drafted within the process software Promapp.</p> <p>Procurement process and policy training has been delivered to city employees.</p> |  |
| 7 | There is no signature specimen in place outlining all payment/purchase order authorities and the corresponding signature for that employee ensuring sign off is being complete on appropriate levels of expenditure by the correct employees. | A specimen signature is maintained listing all authorities and their signature to ensure up to date. | <p>Auke Van der Weij</p> <p>Financial Accountant</p> | <p><u>Management Comments</u></p> <p>Agree with recommendation – signature listing to be compiled and provided to relevant procurement and payment officers.</p> <p><u>Action</u></p> <p>A specimen signature register has been created and will be updated on a regular basis</p> |  |

## INTERNAL CONTROLS

## LEGISLATIVE COMPLIANCE

| No. | Finding  | Recommendation                      | Responsible Officer                      | Management Comments Actions   | Completion Date |
|-----|--|-------------------------------------|--|---|-----------------|
| 2   | Numerous outdated policies and procedures which were | Policies and procedures included in | Margot Adam<br>Coordinator<br>Governance | <p><u>Management Comments</u></p> <p>Current documented Policies do not reflect their formal re-adoption by</p> |                 |

|  |   |  |  |  |                                  |
|--|---|--|--|--|----------------------------------|
|  | <p>not reviewed in accordance with stated next review date;</p> <p>Council Policies</p> | <p>Council's Manual are updated to reflect the last review date and the date the next review will be conducted.</p> <p>Policies should clearly document the last review date and the next review date.</p> |  | <p><i>Council following 2-yearly Elections.</i></p> <p><i>The policies have actually been reviewed and readopted, but the review and next review due dates, have not been amended on the published editions.</i></p> <p><i>A number of policies are currently being reviewed.</i></p> <p><u>Actions</u></p> <ul style="list-style-type: none"> <li>• Councillors and Executives attended a Policy and Strategy workshop March 2016.</li> <li>• Councillors are currently reviewing and assessing the Council Policy Manual.</li> <li>• A workshop is scheduled for 13 October 2016 for Councillors to discuss priorities for Council Policy review.</li> </ul> <p><u>Management Comments</u></p> <p><i>An initiative to address the currency and relevance of Operational policies has been the recent development of policy review teams within Corporate Services. This practice will be rolled out across the organisation.</i></p> | <p>March 2016</p> <p>Ongoing</p> |
|--|---|--|--|--|----------------------------------|

|   |  |   |  |   |              |
|---|--|---|--|---|--------------|
|   |  |   |  | <u>Actions</u><br>Operational Policies due for review are currently being reviewed by relevant staff and submitted for endorsement to the Executive Management Team.  |              |
| 2 | The Audit Committee agenda does not include a standing item assessing the effectiveness of compliance (for example, assessing the progress of matters raised by Regulation 17 Review). | A standing agenda item be added to the Audit Committee meeting agenda to assess the effectiveness of compliance |  | <u>Management Comments</u><br><i>The annual compliance return to DLG&amp;C is listed every year for Audit Committee consideration. Revitalisation of Risk Management activities and implementation of Promapp in March/April 2016 are expected to drive a risk-based approach to monitoring and management of compliance obligations.</i> |              |
|   |  |   |  | <u>Action</u><br>Standing item for Compliance added to Audit Committee Agenda   | 3 October 16 |

## Financial Management Systems Review

## Working Report

| Reference  | No. | Finding and Recommendations   | Officer  | Management Comment Actions   | Expected Completion Date | Risk Rating |
|------------|-----|---|--|--|--------------------------|-------------|
| Appendix B | 1.  | <p><i>End of Day Receipting Procedures</i></p> <p>Daily Taking Sheet and End of Day Cash Receipts Reconciliation be:</p> <ul style="list-style-type: none"> <li>Reviewed by someone independent to receipting function and signed off as evidence of independent review.</li> </ul> | <p>Auke Van der Weij</p> <p>Financial Accountant</p> | <p><u>Management comment</u><br/>Implementation of recommendations to be reviewed on a case by case basis taking into account resources and volume of business. The City considers this a low risk given strong internal controls.</p> <p><u>Actions</u></p>   | Completed                | M           |
| Appendix C | 1   | <p><i>IT Strategic Plan</i></p> <p>Management review the IT strategic plan and update to include Councils current IT and communications objectives and requirements. The plan should state the next review date.</p>  | <p>Dennis Duff</p> <p>Manager ICT</p>                | <p><u>Management comment</u><br/>The City is undertaking a joint study with WAI-GA Northern Zone Councils for potential move to a Shared ICT Services arrangement. Development of a new ICT Strategy will reflect the outcomes from the development of a Disaster Recovery and Business Continuity Plan and review of ICT delivery models, Further development of the strategy has been deferred pending completion of the Shared Services study, and deliberation on recommendation by the City and other Councils. Anticipated completion date now 30 June 2016.</p> <p><u>Actions</u><br/>This is currently still in development.</p> | December 2016            | M           |

|  |   |                    |   |                      |          |
|--|---|--------------------|---|----------------------|----------|
|  | <p>3</p> <p><i>Business Continuity Plan</i></p> <p>A business continuity plan, incorporating a disaster recovery plan be developed, documented and presented to Council for adoption.</p> <p>These plans should be developed in consultation with relevant staff and third party suppliers, communicated to all staff, implemented and monitored on a regular basis. It is expected that the business continuity plan would include as a minimum:</p> <ul style="list-style-type: none"> <li>• an impact analysis establishing various scenarios and their efficient resolution, including logistical as well as IT related issues</li> <li>• consideration and evaluation of temporary alternative sites from which significant operating functions can be conducted in the event of unforeseen events; and</li> <li>• to ensure critical business functions can be completed whilst IT systems are unavailable.</li> </ul> <p>The plan should be tested (annually) and results from the test be</p> | <p>Manager ICT</p> | <p><u>Management comment</u></p> <p><i>The City has entered into a contract with Geraldton Data Centre under WALGA panel, for Disaster Recovery and Business Continuity services via a cloud-based solution. Testing scheduled for March 2016. Other components of business continuity plan to be completed by November 2016, subject to timing of completion of review of customer services delivery arrangements.</i></p> <p><u>Actions</u></p> <p>Scenario planning, documenting and subsequent testing is in development for completion by November 2016.</p> | <p>November 2016</p> | <p>M</p> |
|--|---|--------------------|---|----------------------|----------|

|  |   |  |                            |   |               |   |
|--|---|--|----------------------------|---|---------------|---|
|  |   | <p>documented along with corrective action taken to eliminate weaknesses.</p> <p>Procedures should be developed to identify when changes are required to the business continuity plan as a result of IT infrastructure upgrades or changes.</p>  |                            |   |               |   |
|  | 5 | <p><i>System Development Life Cycle</i></p> <p>A formal or structured system development life cycle be developed and implemented to ensure the continued development of new IT systems.</p>  | Dennis Duff<br>Manager ICT | <p><u>Management comment</u><br/><i>This has linkage to the comments under "findings 1" of this report in that a system development life cycle on infrastructure requirements would not be developed until the ICT Strategy is developed and delivery models are finalised.</i></p> <p><u>Action</u><br/>With the recent on boarding of a senior systems analyst, a formal SDLC is being developed and documented within Promapp.</p> | December 2016 | M |
|  | 8 | <p><i>Privacy and Intellectual Property Security</i></p> <p>A formal documented policy is prepared and communicated to employees regarding restrictions for personal file sharing accounts and USB's / removable hard discs (perhaps this could be implemented though only allowing City approved devised which are password</p> | Dennis Duff<br>Manager ICT | <p><u>Management comment</u><br/><i>Agree with recommendation to ensure staff using removal hard drives/USB devices and file sharing services to store their data, do not breach the City's Record Keeping Plan and therefore the State Records Act.</i></p> <p><u>Actions</u><br/>No action yet taken. To be developed.</p>  | December 2016 | M |



|            |    |   |  |   |               |   |
|------------|----|---|--|---|---------------|---|
|            |    | protected to be recognised by the IT system).   |  |   |               |   |
|            | 9  | <p><i>Server Backups</i></p> <p>Backups be tested on a regular basis to ensure recovery of data is achievable with no significant interruption to the operations of the City is experienced.</p>  | Dennis Duff<br>Manager ICT                           | <p><u>Management comment</u><br/><i>New Backup testing practices are now in the process of being developed and implemented.</i></p> <p><u>Action</u><br/>Integrity checking process still in progress and being reviewed as part of BC/DR planning.</p> | November 2016 |   |
|            | 10 | <p><i>User Terminal logout</i></p> <p>All computer terminals are set up to log out after a period of inactivity, for example ten minutes</p>  | Dennis Duff<br>Manager ICT                           | <p><u>Management comment</u><br/><i>Agree with recommendation — automatic log outs to be set on all terminals after a period of inactivity</i></p> <p><u>Actions</u><br/>This configuration was implemented during the rollout to Windows 10.</p>       | Completed     | L |
| Appendix E |    |   |  |   |               |   |
|            | 1  | <p>WALGA best practice guidelines recommend formal performance management assessments be conducted during and at the completion of a project / service contract to ensure contractors and suppliers are performing in accordance with state contract terms.</p> <p>This could be completed for projects or service contracts over a specified</p> | Brodie Pearce<br>Coordinator<br>Procurement and Risk | <p><u>Management comment</u><br/><i>The City's Internal Procurement working group is currently developing a process that aligns with the above recommendations.</i></p> <p><u>Actions</u></p>   |               | M |

|  |   |   |   |   |  |   |
|--|---|---|---|---|--|---|
|  |   | <p>value or deemed to be medium to high risk.</p> <p>This assessment may include key performance indicators to assist in comparing contractor / supplier performance. The process for monitoring performance and the key performance indicators used should be included in the project specification document and agreement provided to contractors and suppliers.</p> <p>It may be beneficial for a list of the post tender / service contract evaluation to be maintained for future records which can be reviewed when new tenders are being assessed and to ensure post contractor service history is maintained on file for future reference (in particular when staff turnover occurs).</p> |   |   |  |   |
|  | 5 | <p><i>Minimum Quotations</i></p> <p>To ensure compliance with Council's stated policy, it is recommended that the minimum number of quotes are obtained prior to the purchase of goods or services.</p>   | <p>Brodie Pearce<br/>Coordinator<br/>Procurement and Risk</p> | <p><u>Management comment</u><br/>Council procurement/ purchasing policy CPOIO is currently under review. Within the scope of the review is an evaluation of the number and amount of individual purchase thresholds and the requirements with regard to obtaining quotations.</p> <p><u>Actions</u></p> |  | L |

|  |  |   |  |  |  |  |
|--|--|---|--|--|--|--|
|  |  | <p>It is suggested that Information pertaining to any payment, such as quotes obtained (whether verbal or written), advertising and other significant notes should be attached or noted on payment advices.</p> <p>The use of a formal quotation form is suggested whereby details of verbal quotes obtained are noted and written quotes obtained a summarised</p> |  |  |  |  |
|--|--|---|--|--|--|--|

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**7. AC046 AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL**

|       |  |
|-------|--|
| AC046 | AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL |
|-------|--|

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| <b>AGENDA REFERENCE:</b>      | <b>D-16-57873</b>  |
| <b>AUTHOR:</b>                | <b>M Adam, Governance Coordinator</b>                                    |
| <b>EXECUTIVE:</b>             | <b>B Davis, Director Department of Corporate and Commercial Services</b> |
| <b>DATE OF REPORT:</b>        | <b>12 September 2016</b>   |
| <b>FILE REFERENCE:</b>        | <b>GO/11/0020</b>  |
| <b>APPLICANT / PROPONENT:</b> | <b>The City of Greater Geraldton</b>                                     |
| <b>ATTACHMENTS:</b>           | <b>No</b>  |

**EXECUTIVE SUMMARY:**

The purpose of this report is for the Audit Committee to review a summary of Audit Committees activities for the period July 2015 to June 2016 prior to submission of the summary to Council.

**EXECUTIVE RECOMMENDATION;**

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to:

1. RECEIVE the summary of Audit Committee activities for the period July 2015 to June 2016.
2. RECOMMEND that Council accepts the summary of Audit Committee activities for the period July 2015 to June 2016.

**PROPONENT:**

The proponent is the City of Greater Geraldton.

**BACKGROUND:**

In accordance with the *Local Government Act 1995* section 7.1A (1):

*“A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it”.*

The City of Greater Geraldton Audit Committee Charter incorporates the following reporting requirements:

*5.2 The Committee shall report annually to the Council summarising its activities during the previous financial year.*

Below is a summary of the activities of the Audit Committee for the period July 2015 to June 2016 for the purposes of providing the abovementioned report to Council.

Audit Committee Meeting – 6 October 2015

- i. Review of the Interim and Final Audit report for the financial period ending 30 June 2015.

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- ii. Review of the progress of the City's Risk Management Activities, including the progress of the City's Risk Management Project and Business Continuity Management.

#### Audit Committee Meeting – 1 March 2016

- i. Review of the Audit Committee Charter.
- ii. Endorse the Compliance Audit Return 2015 and report to Council.
- iii. Review of the Interim Audit report and the Financial System and Risk Review.

### **ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:**

#### **Economic:**

There are no economic impacts.

#### **Social:**

There are no social impacts.

#### **Environmental:**

There are no environmental impacts.

#### **Cultural & Heritage:**

There are no cultural or heritage impacts.

### **RELEVANT PRECEDENTS:**

The Audit Committee Charter requires the committee to report annually to Council summarising the activities of the previous financial year.

### **COMMUNITY/COUNCILLOR CONSULTATION:**

There has been no community/councillor consultation.

### **LEGISLATIVE/POLICY IMPLICATIONS:**

*Local Government Act 1995 s 7.1A, Local Government (Audit) Regulations 1996.*

### **FINANCIAL AND RESOURCE IMPLICATIONS:**

There are no financial or resource implications.

### **INTEGRATED PLANNING LINKS:**

|                   |  |
|-------------------|--|
| Title: Governance | Planning and Policy                                  |
| Strategy 5.2.7    | Ensuring efficient and effective delivery of service |

### **REGIONAL OUTCOMES:**

There are no impacts to regional outcomes.

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**RISK MANAGEMENT**

The provision of an annual report to Council on the activities of the Audit Committee ensures that the committee meets compliance requirements of the *Audit Committee Charter s5.2* and reporting recommendations of the Department of Local Government and Communities *Audit in Local Government Operational Guideline number 09- 2013*.

**ALTERNATIVE OPTIONS CONSIDERED**

No alternatives have been considered.

**8. MEETING CLOSURE**