

CS044 FINANCIAL STATEMENTS TO NOVEMBER 2011

AGENDA REFERENCE:	D-11-26637
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EXECUTIVE:	C Wood, Director Corporate Services
DATE OF REPORT:	9 December 2011
FILE REFERENCE:	FM/03/0003
APPLICANT / PROPONENT:	Corporate Services
ATTACHMENTS:	Yes

SUMMARY:

The attached financial reports provide a comprehensive report on the City's finances to 30 November 2011.

PROponent:

City of Greater Geraldton.

BACKGROUND:

The financial position to the end of November 2011 is detailed in the attached report and summarised as follows:

Operating Income	\$133,884	0.3%	Positive Variance
Operating Expenditure	\$4,341,491	15.2%	Positive Variance
Net Operating	\$4,475,375	32.0%	Positive Variance
Capital Expenditure	\$2,447,199	31.1%	Positive Variance
Capital Revenue	\$923,834	52.4%	Negative Variance
Reserves	\$686,141	164.7%	Positive Variance
Closing Surplus / (deficit)	\$5,312,599	39.7%	Positive Variance
Cash at Bank - Muni	\$6,370,512		
Cash at Bank – Reserve	\$20,843,548		
Total Funds Invested	\$32,299,963		
Net Rates Collected	79.1%		
Receivables Outstanding	\$978,532		

The attached report provides explanatory notes for items greater than 10% or \$50,000. This commentary provides Council with an overall understanding of how the finances are progressing in relation to the adopted budget.

The financial position represented in the November financials shows a positive variance of \$4,475,375 in the net operating result. The closing funding surplus is over budget by \$5,312,599 due to the under-spend associated with materials and contractors, employee costs and utility charges.

Additionally Capital expenditure is significantly understated due to the delay associated with commencing and completing building, parks and road works.

COMMUNITY CONSULTATION:

No community consultation was undertaken.

COUNCILLOR/OFFICER CONSULTATION:

Consultation with officers occurs when significant variances arise.

STATUTORY IMPLICATIONS:

Section 6.4 of the Local Government Act 1995 and Regulation 34 of the Local Government (Financial Management) Regulations 1996 require that as a minimum Council is to receive a Statement of Financial Activity.

POLICY IMPLICATIONS:

The provision of financial reports to Council is governed by statute not policy.

FINANCIAL AND BUDGET IMPLICATIONS:

Any issues in relation to expenditure and revenue misallocations and variance trends will be identified and addressed each month.

STRATEGIC & REGIONAL OUTCOMES:

ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:

Economic:

There are no economic issues.

Social:

There are no relevant social issues.

Environmental:

There are no environmental issues.

Cultural & Heritage:

There are no cultural or heritage issues.

RELEVANT PRECEDENTS:

There are no relevant precedents.

DELEGATED AUTHORITY:

There is no delegated authority.

VOTING REQUIREMENTS:

Simple Majority is required.



City of
Greater Geraldton
a vibrant future



MONTHLY FINANCIAL REPORT

For the Period Ended 30 November 2011

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**Notes to the Statement of Financial Activity
For the Period Ended 30th November 2011**

CITY OF GREATER GERALDTON

	Current Annual Budget	Budget to Nov 11	Actual to 30 Nov 11	Variances		
				\$	%	
Operating Income						
Rates	29,098,948	28,702,278	28,709,029	6,751	0.0%	✓
Grants & Subsidies	20,492,051	4,094,434	4,133,698	39,264	1.0%	✓
Fees & Charges	15,668,197	8,563,208	8,580,847	17,639	0.2%	✓
Interest Earnings	1,736,749	581,035	617,473	36,438	6.3%	✓
Other	514,883	582,785	616,577	33,792	5.8%	✓
Profit On Disposal Of Assets	2,610,604	-	-	-	0.0%	✗
	70,121,432	42,523,740	42,657,624	133,884	0.3%	✓
Operating Expenditure						
Employee Costs	(25,044,982)	(10,545,508)	(9,518,914)	1,026,594	-9.7%	✓
Materials & Contractors	(35,556,869)	(9,288,218)	(6,162,105)	3,126,113	-33.7%	✓
Utility & Govt Charges	(2,623,394)	(1,092,325)	(891,897)	200,428	-18.3%	✓
Insurance	(848,691)	(678,953)	(869,108)	(190,155)	28.0%	✗
Interest/Borrowing Costs	(1,258,713)	(502,252)	(116,636)	385,616	-76.8%	✓
Other Expenses	(1,401,175)	(580,865)	(787,970)	(207,105)	35.7%	✗
Depreciation On Assets	(13,997,086)	(5,832,050)	(5,832,050)	-	0.0%	✗
Loss On Disposal Of Assets	(181,598)	-	-	-	0.0%	✗
	(80,912,508)	(28,520,171)	(24,178,680)	4,341,491	-15.2%	✓
NET OPERATING	(10,791,076)	14,003,569	18,478,944	4,475,375	32.0%	✓
Non-Cash Expenditure and Revenue						
(Profit) / Loss on Asset Disposals	(2,429,006)	-	-	-	0.0%	✗
Depreciation on Assets	13,997,086	5,832,050	5,832,050	-	0.0%	✓
Capital Expenditure						
Purchase Land & Buildings	(15,210,828)	(1,514,914)	(800,475)	714,439	-47.2%	✓
Purchase Plant and Equipment	(4,779,660)	(1,291,215)	(882,245)	408,970	-31.7%	✓
Purchase Furniture and Equipment	(212,400)	(332,230)	(55,350)	276,880	-83.3%	✗
Purchase Infrastructure Assets - Roads	(12,029,648)	(1,739,125)	(1,401,264)	337,861	-19.4%	✓
Purchase Infrastructure Assets - Parks	(8,102,600)	(1,837,690)	(933,687)	904,003	-49.2%	✓
Self Supporting / Council Loans Paid Out	-	(104,165)	(250,000)	(145,835)	140.0%	✓
Repayment of Debentures	(2,679,530)	(1,040,330)	(1,089,449)	(49,119)	4.7%	✓
	(43,014,666)	(7,859,669)	(5,412,470)	2,447,199	-31.1%	
Capital Revenue						
Proceeds from Sale of Assets	5,342,000	1,479,132	474,727	(1,004,405)	-67.9%	✗
Proceeds from New Loans	25,380,000	250,000	250,000	-	0.0%	✗
Self-Supporting Loan Principal Income	65,817	32,685	40,231	7,546	23.1%	✗
Council Loan Principal Income	112,041	-	73,025	73,025	0.0%	✓
	30,899,858	1,761,817	837,983	(923,834)	-52.4%	✗
Reserves						
Transfers to Reserves	(4,150,000)	(416,665)	(1,102,806)	(686,141)	164.7%	✗
Transfers from Reserves	14,873,688	-	-	-	0.0%	✗
	10,723,688	(416,665)	(1,102,806)	(686,141)	164.7%	✗
				-		
Opening Fund Surplus/(Deficit)	49101	49101	49101			
Closing Funding Surplus (Deficit)	(565,015)	13,370,203	18,682,802	5,312,599	39.7%	✓

**Notes to the Statement of Financial Activity
For the Period Ended 30th November 2011**

NOTE 1. MAJOR VARIANCES

Operating Income

Operating Income is showing positive variance of \$133,844 or 0.3% with most revenue items achieving the budgeted forecasts.

Operating Expenditure

Operating expenditure is showing a positive variance (under-spend) of \$4,341,491 or 15.2% due to the following:

Employee Costs – Expenditure is showing a positive variance of \$1,026,594 or 9.7% which is associated with the current level of vacant positions.

Materials and Contractors – Expenditure is showing a positive variance of \$3,126,113,178 or 33.7%. This variance is mainly associated with operational works and the Future City project which will incur costs as the year progresses. However costs associated with property development including Olive Street, Kempton Street & the Airport Technology Park may lag and consequently budget profile adjustments will be required.

Utilities & Govt Charges – Expenditure is showing a positive variance of \$200,428,945 or 18.3% which is associated with the payment of power accounts including street lighting. The variance is not considered significant and will reduce as summer consumption patterns prevail.

Insurance - Expenditure is showing a negative variance of \$190,155 or 28.0%. Post budget confirmation of premiums costs are well above anticipated increase. The City is currently undertaking a review of these increases with LGIS.

Interest/Borrowing Costs - Expenditure is showing a positive variation of \$385,616 or 76.8% which is associated with the timing of loan repayments and the acquisition of new loans. As interest payments are processed and new debentures acquired the level of payments will increase accordingly.

Other Expenses - Expenditure is showing a negative variance of \$207,105 or 35.7%. This has resulted due to household refuse costs (\$203,842) being incorrectly costed to this account.

Depreciation on Assets – Revaluations of the City's assets are currently underway and a more accurate depreciation will be determined in the December report.

Capital Expenditure

Capital expenditure is showing a positive variance (under-spend) of \$2,447,199 or 31.1% due to the following:

Purchase Land & Buildings - The positive variance of \$714,439 or 47.2% is associated with the timing of capital projects including the Cathedral Office Renovations and the Meru Recycling Building.

Purchase Plant & Equipment - The positive variance of \$408,970 or 31.7% is related to timing of capital purchases of P & E.

Purchase Furniture & Equipment - The positive variance of \$276,880 or 83.3% is considered short term and associated with the purchase of tracking for the art gallery and furniture for the library.

Purchase Infrastructure Assets – Roads - The positive variance of \$337,861 or 19.4% is due to delay in the commencement of road projects.

Purchase Infrastructure Assets – Parks - The positive variance of \$904,003 or 49.2% is associated with the delay in the commencement of Eastern Breakwater Development and Derna Parade.

Capital Revenue

Capital Revenue is showing a negative variance of \$923,834 or 52.4% which is due to the following:

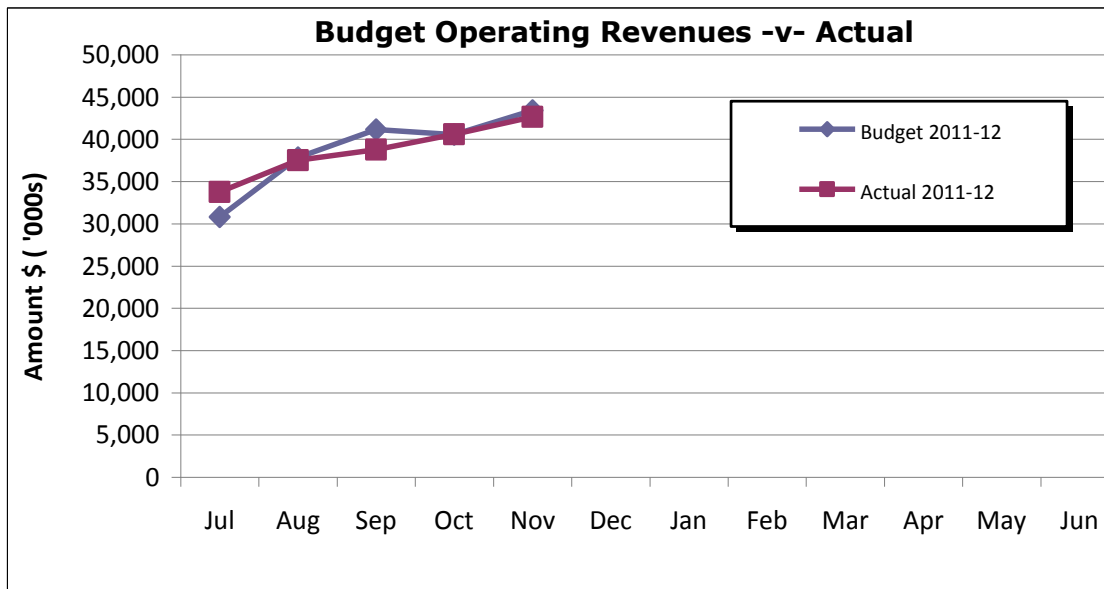
Council Loans Principal Income - The positive variance of \$73,025 or 100.0% is a timing issue associated with the budget profiles

Reserves

Transfers to Reserves - The variance of \$686,141 or 164.7% is associated with the transfer of funds from rates to Asset Development and Asset Renewal Reserves.

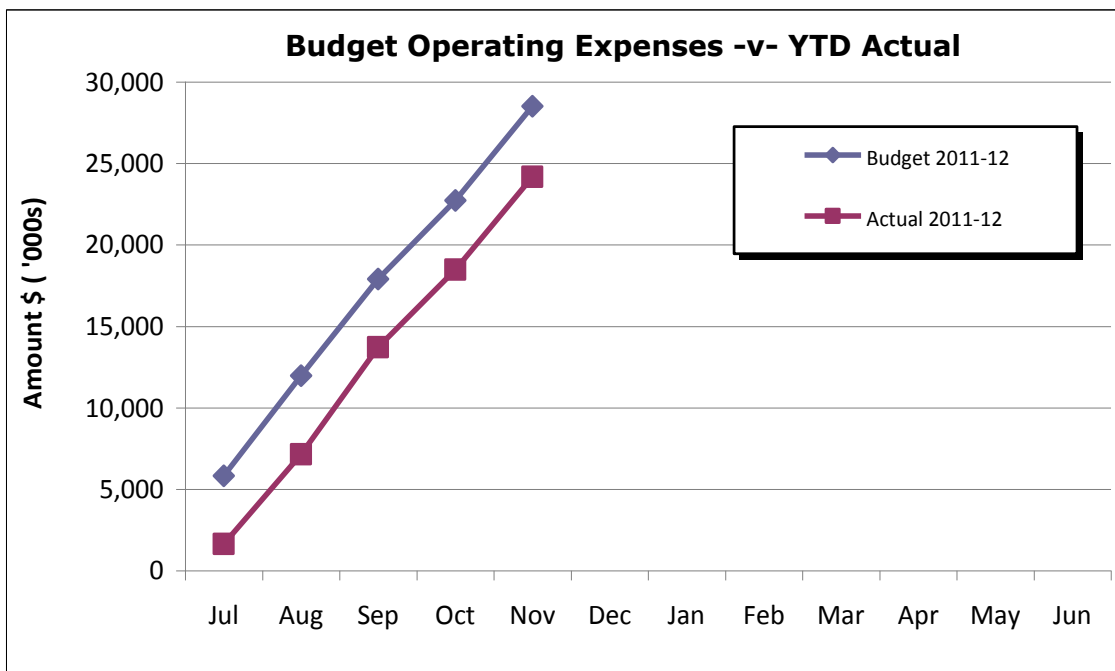
**Notes to the Statement of Financial Activity
For the Period Ended 30th November 2011**

NOTE 2. GRAPHICAL REPRESENTATION OF REVENUE AND EXPENSES



Comments/Notes - Operating Revenues

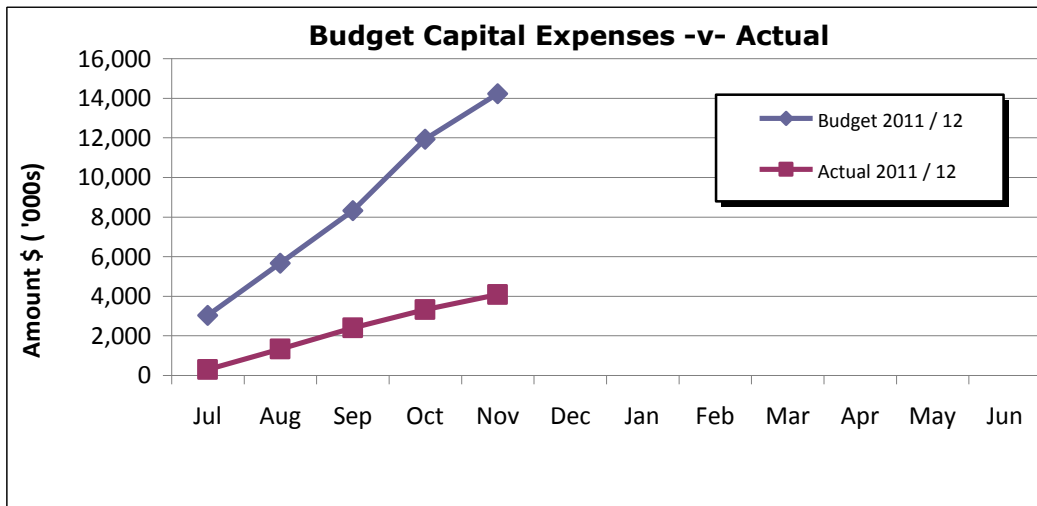
Operating revenue is on target with a minimal variance of \$133,884.



Comments/Notes - Operating Expenses

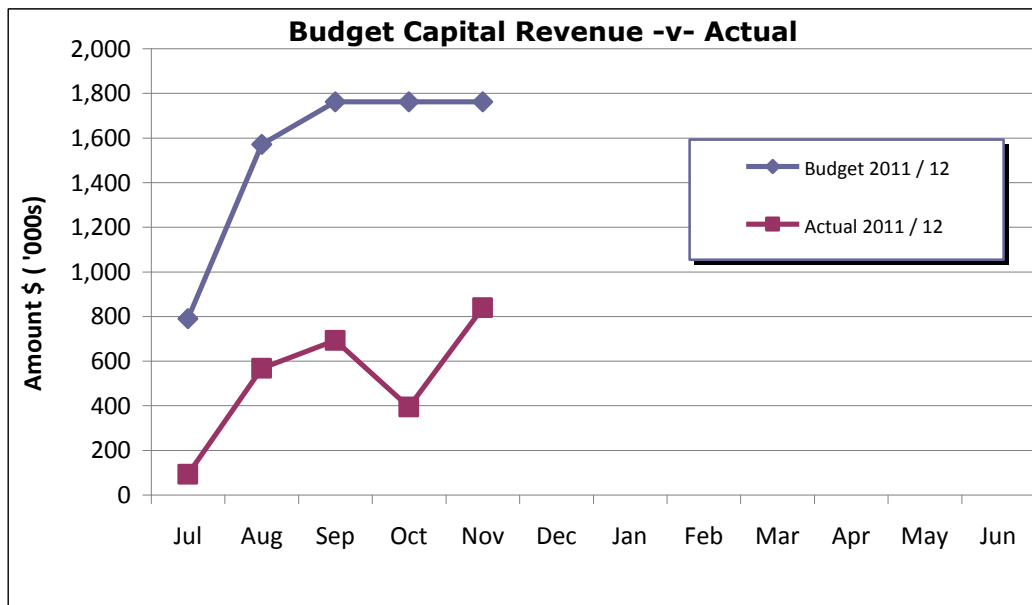
Operating expenditure is underspent by \$4,341,491 which is due to Materials and Contractors and Employee Costs.

**Notes to the Statement of Financial Activity
For the Period Ended 30th November 2011**



Comment/Notes: - Capital Expenditure:

Capital expenditure is underspent by \$2,477,199 which is mainly due to the lower than budgeted Purchase of Land & Buildings, the Purchase of Parks and Roads Infrastructure Assets and the Purchase of Plant and Equipment.



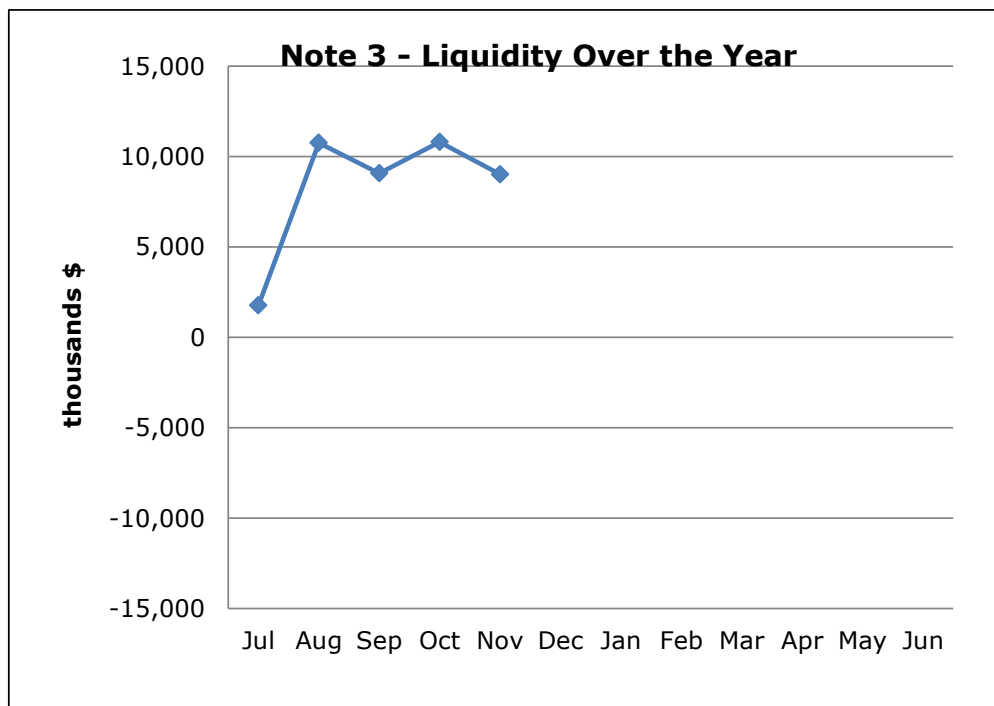
Comments/Notes - Capital Revenues

Capital revenue is under budget by \$923,834 which is largely associated with the later than expected Proceeds from New Debentures and also the Proceeds from Disposal of Assets.

**Notes to the Statement of Financial Activity
For the Period Ended 30th November 2011**

NOTE 3. NET CURRENT FUNDING POSITION

Note	Positive=Surplus (Negative=Deficit) 2011-12	
	This Period	Last Period
	\$	\$
Current Assets		
Cash at Bank		
Municipal Account	6,370,512	7,994,948
Reserve Account	20,283,352	20,283,352
Restricted Assets	560,196	560,196
Total Cash at Bank	27,214,060	28,838,496
Receivables	8,506,161	8,992,777
Prepayments	188,439	148,006
Sundry Debtors	978,532	1,185,398
Rates Receivable	7,339,190	7,659,373
Inventories	327,829	299,676
Total Current Assets	36,048,050	38,130,949
Less: Current Liabilities		
Creditors and Provisions	1,440,610	1,315,270
Current Borrowings	1,328,546	1,750,121
Employee Entitlements	3,417,553	3,417,553
	6,186,709	6,482,944
Less: Cash Restricted	(20,843,548)	(20,843,548)
Net Current Funding Position	9,017,793	10,804,457



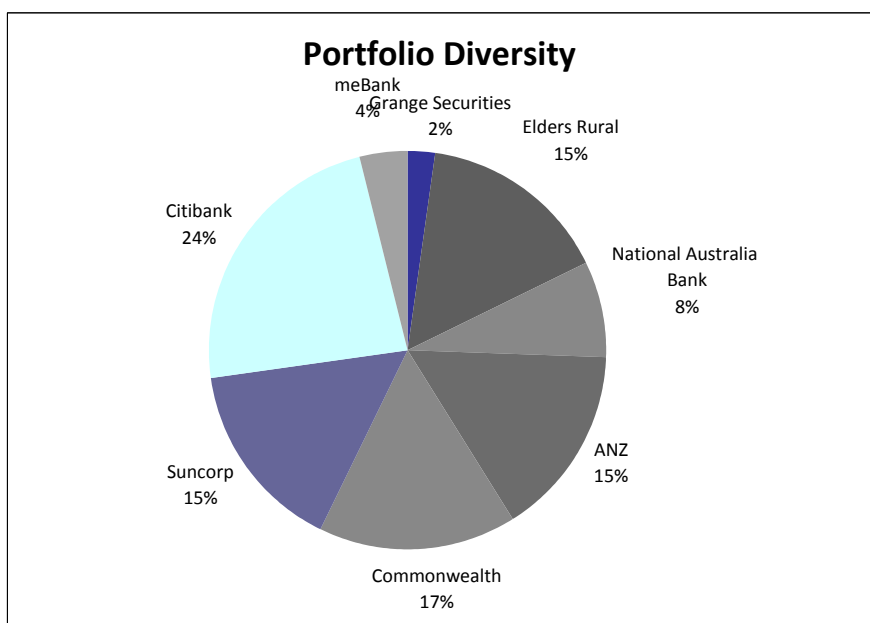
Comments – Net Current Funding Position

The financial position at 30 November 2011 was \$5,312,599 under budget. This outcome is the result of delays in current year projects and the normal payment cycles being completed. The large variances are due to project lag and large land development works which are still in the early planning phases. Budget profiles will be adjusted to incorporate new project commencement and completing timelines.

**Notes to the Statement of Financial Activity
For the Period Ended 30th November 2011**

NOTE 4. MONTHLY INVESTMENT REPORT

Deposit Ref	Current Credit Rating	Deposit Date	Term (Years)	Invested Interest rates	Amount Invested	Interest Earned YTD	Current Value @ 30/11/2011	Percentage of Portfolio
Grange Securities								
Helium Capital-Esper	CCC-	22/3/2006	6	4.98%	500,000	8,435	111,235	
Parkes AAA	CCC-	15/8/2006	8+	4.30%	250,000	4,170	25,580	
Kakadu	B-	12/5/2006	7+	4.28%	700,000	11,280	88,823	
Merimbula	BB-	6/5/2007	6		500,000		470,000	
Scarborough AA Ac 21	CCC-	25/5/2006	8	5.96%	500,000	5,540	3,935	
Subtotal					2,450,000	29,426	699,573	2.2%
Commonwealth								
Reserve 150	A1+	31/8/2011	0.08	5.75%	2,247,000	10,619	2,257,619	
Muni 231	A1+	8/11/2011	0.08	5.53%	3,000,000		3,000,000	
Subtotal					5,247,000	10,619	5,257,619	16.3%
National Australia Bank								
Reserve 151	A1+	2/9/2011	0.25	5.93%	2,546,755		2,546,755	
Subtotal					2,546,755	-	2,546,755	7.9%
Citibank								
Reserve 152	A1	2/9/2011	0.25	6.05%	2,500,000		2,500,000	
Reserve 155	A1	2/9/2011	0.50	6.10%	5,000,000		5,000,000	
Subtotal					7,500,000	-	7,500,000	23.2%
Rural Bank								
Reserve 154	A2	2/9/2011	0.50	6.05%	5,000,000		5,000,000	
Subtotal					5,000,000	-	5,000,000	15.5%
Suncorp								
Reserve 153	A1	2/9/2011	0.50	5.89%	5,000,000		5,000,000	
Subtotal					5,000,000	-	5,000,000	15.5%
ANZ								
Municipal 230	A1+	2/9/2011	0.25	6.02%	5,000,000		5,000,000	
Subtotal					5,000,000	-	5,000,000	15.5%
me Bank								
Reserve 156	A2	7/11/2011	0.25	5.90%	1,296,016		1,296,016	
Subtotal					1,296,016	-	1,296,016	4.0%
Total Funds Invested					34,039,771	40,045	32,299,963	100.0%



**Notes to the Statement of Financial Activity
For the Period Ended 30th November 2011**

NOTE 5. RECEIVABLES

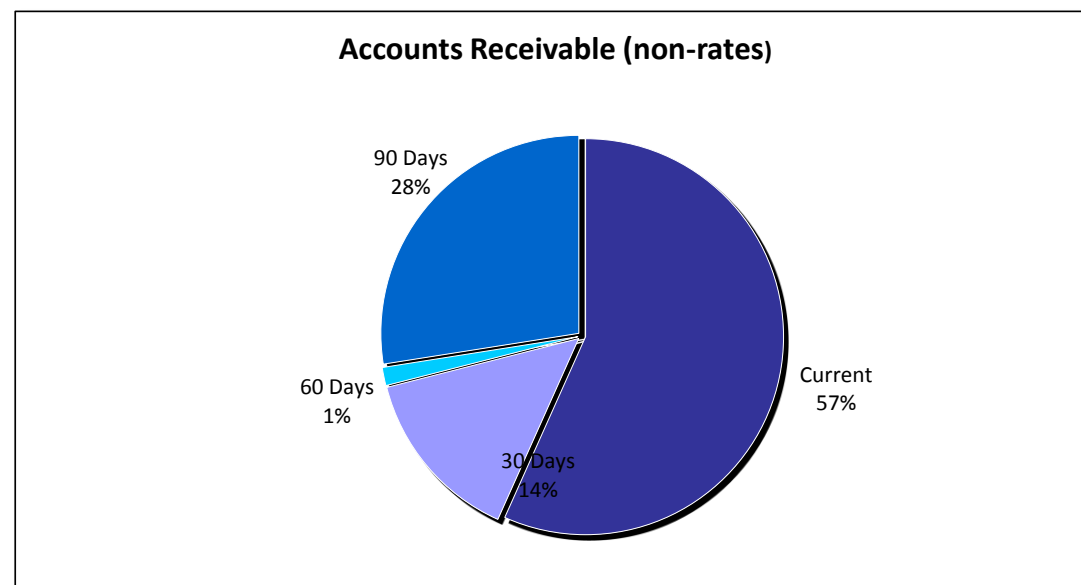
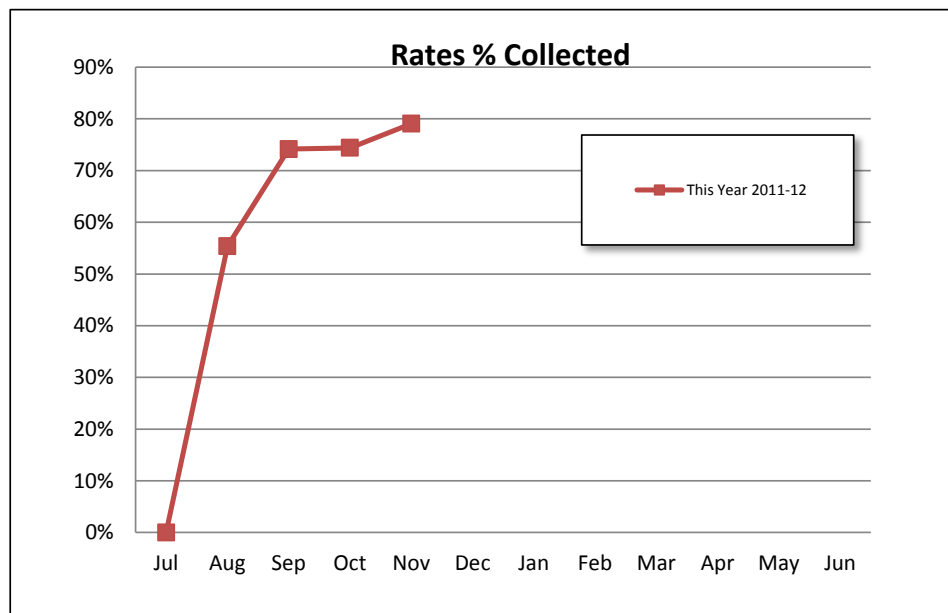
Receivables - Rates and Rubbish

	Current YTD
	\$
Opening Arrears Previous Years	1,045,807
Rates Levied this year	34,023,852
<u>Less</u> Collections to date	(27,730,469)
Equals Current Outstanding	7,339,190
<i>Comprises of Current Amt:</i>	7,138,262
<i>Deferred Amt:</i>	(200,928)
Net Rates Collectable	
% Collected	79.07%

Receivables	Current	30 Days	60 Days	90 Days
	\$	\$	\$	\$
General	554,762	140,294	14,499	268,977
Total Outstanding				978,532

Sundry Debtors by Type

Airport	295,365	49%
Meru	205,831	21%
General	477,337	30%



Rates collections are progressing well, the third installment is due on 19/12/2011. Any outstanding payments will be subject to the normal recovery process.

The level of debtors is low which is appropriate.