

# TREATMENT OF ANNUAL SURPLUSES

## POLICY

POL-FCM o6

### Objective:

To define the City's position in relation to the treatment of surpluses in the annual financial statements to clarify how transfers to reserves and carried forward surpluses are managed.

### Statement:

The City of Mandurah (the 'City') generally produces financial surpluses in its annual financial statements. It is necessary to determine a clear process for determining how that surplus is managed in relation to transfers to reserves and amounts to be carried forward.

### Scope of Authority

Surpluses will be managed in the following manner:

#### *Priority 1*

Surplus to fund "carry over projects" and requirements of the following year's budget.

#### *Priority 2*

remaining surplus to be distributed as follows:

|                           |     |
|---------------------------|-----|
| Asset Maintenance Reserve | 40% |
| Building Reserve          | 40% |
| Sustainability Reserve    | 20% |

In addition, Council has the discretion to direct surpluses to other reserves if a business case is provided for this.

In the case of deficits, these must always be carried over into the succeeding year and eliminated during that year. As a matter of good financial management, actual deficits should not be allowed to accumulate on a year-on-year basis.

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| <b>Responsible Directorate:</b>                  | Corporate Services   |
| <b>Reviewer:</b>                                 | Manager Financial Services   |
| <b>Creation date:</b>                            | Minute G.27/9/16, 27 September 2016  |
| <b>Amendments:</b>                               | Minute G.12/7/19, 23 July 2019   |
| <b>Related Documentation and/or Legislation:</b> | <i>Local Government Act 1995</i><br>s.6.34 Limit on revenue or income from general rates |