

# Financial Statements 2005-2006



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— City of —  
**Melville**

## STATEMENT BY THE CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Melville being the annual financial report and supporting notes and other information for the financial year ended 30 June 2006 are in my opinion properly drawn up to present fairly the financial position of the City of Melville at 30 June 2006 and the results of the operations of 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.

A handwritten signature in black ink, appearing to read 'Eric Lumsden'.

**Eric Lumsden PSM**  
**CHIEF EXECUTIVE OFFICER**

9 November 2006

# BARRETT & PARTNERS — DFK

*Certified Practising Accountants*

PARTNERS

*Anthony D Macri FCPA*

*Domenic A Macri CPA*

*Connie C Macri CA*

## INDEPENDENT AUDIT REPORT

### TO: RATEPAYERS OF THE CITY OF MELVILLE

#### Scope

We have audited the financial report of the City of Melville, comprising the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, Rate Setting Statement and the notes to and forming part of the financial report for the year ended 30 June 2006. The Council is responsible for the preparation and presentation of the financial report and the information contained therein. We have conducted an independent audit of the financial report in order to express an opinion on it to the ratepayers of the City of Melville.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the Local Government Act 1995 (as amended) and Regulations under that Act, Australian Accounting Standards and other mandatory professional reporting requirements so as to present a view of the City of Melville which is consistent with our understanding of its financial position, the results of its operations and its cash flows.

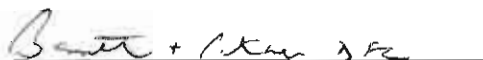
The audit opinion expressed in this report has been formed on the above basis.

#### Audit Opinion

In our opinion, the financial report of the City of Melville:

- (a) present fairly the financial position of the City of Melville as at 30 June 2006 and the results of its operations for the year then ended in accordance with applicable Accounting Standards; and
- (b) are prepared in accordance with the requirements of the Local Government Act 1995 (as amended) and Regulations under that act and other mandatory professional reporting requirements.

We did not during the course of our audit become aware of any instances where the Council did not comply with the requirements of the Local Government Act and Regulations under that Act.



**BARRETT & PARTNERS — DFK**  
Certified Practising Accountants  
Level 1, 28 Thorogood Street  
BURSWOOD WA 6100



**A MACRI**  
**PARTNER**

PERTH

DATED THIS 30<sup>th</sup> DAY OF OCTOBER 2006.

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**CITY OF MELVILLE  
INCOME STATEMENT  
BY PROGRAMME  
FOR THE YEAR ENDED 30 JUNE 2006**

	NOTE	2006 Budget \$	2006 Actual \$	2005 Actual \$
<b>Revenues from Ordinary Activities</b>				
General Purpose Funding		37,806,285	39,654,016	37,225,188
Governance		1,963,680	1,423,430	470,869
Law, Order and Public Safety		3,856,037	3,582,615	2,999,801
Health		135,650	111,853	226,984
Education and Welfare		1,019,071	1,165,151	1,110,544
Housing		1,134,489	1,406,347	1,192,927
Community Amenities		8,567,016	8,755,911	8,382,057
Recreation and Culture		9,789,747	7,526,536	8,144,839
Transport		1,441,225	2,653,577	2,406,103
Economic Services		847,000	1,098,280	877,036
Other Property and Services		1,323,969	1,490,237	1,169,938
<b>Total Revenues</b>	<b>4</b>	<b>67,884,169</b>	<b>68,867,953</b>	<b>64,206,286</b>
<b>Expenses from Ordinary Activities Excluding Borrowing Costs Expense</b>				
General Purpose Funding		1,604,348	1,430,368	1,193,752
Governance		6,634,133	5,956,551	5,414,914
Law, Order and Public Safety		4,704,016	4,233,695	3,463,413
Health		798,791	813,614	889,670
Education and Welfare		2,833,078	2,756,167	2,483,810
Housing		35,700	32,831	20,548
Community Amenities		10,084,638	10,027,992	10,259,012
Recreation and Culture		22,233,527	22,096,714	21,262,900
Transport		7,758,349	7,963,317	8,692,683
Economic Services		1,491,424	1,337,369	1,408,962
Other Property and Services		1,283,081	2,068,077	1,721,438
	<b>4</b>	<b>59,461,085</b>	<b>58,716,695</b>	<b>56,811,102</b>
<b>Borrowing Costs Expense</b>				
Recreation and Culture		366,254	388,596	389,861
<b>Asset Revaluation Adjustment</b>				
Recreation and Culture	<b>2</b>	-	10,810,817	1,818,261
<b>NET SURPLUS / (DEFICIT)</b>	<b>4</b>	<b>8,056,830</b>	<b>(1,048,155)</b>	<b>5,187,062</b>

**CITY OF MELVILLE  
BALANCE SHEET  
AS AT 30 JUNE 2006**

	NOTE	2006 Actual \$	2005 Actual \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	5a	35,220,172	32,894,966
Trade and Other Receivables	6	2,872,593	2,623,041
Inventories	7a	138,671	148,115
Other Financial Assets	7b	1,250,863	1,032,898
<b>Total Current Assets</b>		<b>39,482,299</b>	<b>36,699,020</b>
<b>NON-CURRENT ASSETS</b>			
Trade and Other Receivables	6	5,929,704	5,820,704
Property, Plant and Equipment	8a	288,514,803	287,391,167
Investment Property	8b	1,143,855	-
Other Financial Assets	5b	40,734	40,734
<b>Total Non-Current Assets</b>		<b>295,629,096</b>	<b>293,252,605</b>
<b>TOTAL ASSETS</b>		<b>335,111,395</b>	<b>329,951,625</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	10	7,724,246	7,823,380
Borrowings - Current Portion	9	318,301	292,590
Provisions	10	3,812,465	3,623,187
<b>Total Current Liabilities</b>		<b>11,855,012</b>	<b>11,739,157</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and Other Payables	10	599,373	633,350
Borrowings - Non Current Portion	9	4,997,302	4,925,078
Provisions	10	857,662	566,648
<b>Total Non-Current Liabilities</b>		<b>6,454,337</b>	<b>6,125,076</b>
<b>TOTAL LIABILITIES</b>		<b>18,309,349</b>	<b>17,864,233</b>
<b>NET ASSETS</b>		<b>316,802,045</b>	<b>312,087,392</b>
<b>EQUITY</b>			
Retained Surplus		237,341,154	238,390,025
Reserves - Cash Backed	11	22,669,966	22,669,253
Reserves - Asset Revaluation	11	56,790,925	51,028,114
<b>TOTAL EQUITY</b>		<b>316,802,045</b>	<b>312,087,392</b>

**CITY OF MELVILLE  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2006**

	NOTE	2006 Actual \$	2005 Actual \$
<b>RETAINED SURPLUS</b>			
Balance at beginning of reporting period		238,390,025	239,550,416
Net Surplus / (Deficit)		(1,048,155)	5,187,062
Transfer to Reserves		(17,221,885)	(14,778,025)
Transfer from Reserves		17,221,171	8,430,572
Balance at end of reporting period		237,341,154	238,390,025
<b>RESERVES - CASH BACKED</b>			
Balance at beginning of reporting period		22,669,253	16,321,800
Transfer to Retained Surplus		(17,221,171)	(8,430,572)
Transfer from Retained Surplus		17,221,885	14,778,025
Balance at end of reporting period	11	22,669,966	22,669,253
<b>RESERVES - ASSET REVALUATION</b>			
Balance at beginning of reporting period		51,028,114	51,250,721
Revaluation Increment	8b	5,762,811	(222,607)
Balance at end of reporting period	11	56,790,925	51,028,114
<b>TOTAL EQUITY</b>		<b>316,802,045</b>	<b>312,087,392</b>

The accompanying notes form part of these Financial Statements

**CITY OF MELVILLE  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2006**

	NOTE	2006 Budget \$	2006 Actual \$	2005 Actual \$
<b>Inflows (Outflows)</b>				
<b>Cash Flows from Operating activities</b>				
<b>Receipts</b>				
Rates		32,383,907	32,191,011	30,695,743
Fees and Charges		13,194,103	18,574,569	20,807,954
Service Charges		1,469,796	1,495,793	1,521,762
Interest received		2,114,611	3,569,021	2,955,271
Contributions and Donations		2,382,948	3,000,332	2,788,741
Grants		3,496,321	3,634,006	3,800,942
Goods and Services Tax		-	3,812,066	2,848,601
Other		2,930,589	3,447,226	3,770,026
		<b>57,972,275</b>	<b>69,724,023</b>	<b>69,189,040</b>
<b>Payments</b>				
Employee Costs		(26,551,288)	(25,838,330)	(23,359,297)
Materials and Contracts		(23,446,900)	(16,958,934)	(14,809,382)
Utility Charges		(2,135,717)	(2,606,280)	(2,486,147)
Interest paid		(476,254)	(385,832)	(397,189)
Insurance Costs		(1,249,307)	(789,913)	(665,164)
Goods and Services Tax		-	(3,794,856)	(2,943,617)
Other		(550,660)	(1,962,874)	(519,342)
		<b>(54,410,126)</b>	<b>(52,337,019)</b>	<b>(45,180,138)</b>
<b>Net Cash provided by Operating Activities</b>	<b>ii</b>	<b>3,562,149</b>	<b>17,387,005</b>	<b>24,008,902</b>
<b>Cash Flows from Investing Activities</b>				
Proceeds from Sale of Property and Equipment		2,753,955	871,248	908,832
Grants and Contributions for Asset Development		3,213,999	1,842,538	1,383,175
Purchase of Property and Equipment		(27,713,176)	(18,260,054)	(13,305,521)
		<b>(21,745,222)</b>	<b>(15,546,268)</b>	<b>(11,013,514)</b>
<b>Net Cash used in Investing Activities</b>				
<b>Cash Flow from Financing Activities</b>				
Repayment of Self-Supporting Loan Principal		269,207	294,680	266,007
Self-Supporting Loan Principal Received		(269,207)	(294,680)	(266,007)
New Loan Proceeds		600,000	484,470	260,000
		<b>600,000</b>	<b>484,470</b>	<b>260,000</b>
<b>Net Cash provided by Financing Activities</b>				
<b>Net Increase (Decrease) in Cash Held</b>		<b>(17,583,073)</b>	<b>2,325,206</b>	<b>13,255,388</b>
Cash at Beginning of Year		26,225,990	32,894,966	19,639,579
<b>Cash at End of Year</b>	<b>i</b>	<b>8,642,917</b>	<b>35,220,172</b>	<b>32,894,966</b>

Note: Cash equivalents in the opening and closing balances of actuals include Restricted Funds.

**CITY OF MELVILLE  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2006**

<b>i. Reconciliation of Cash</b>		
For the purpose of preparing the Cash Flow Statement, the Municipality considers Cash to include cash on hand and in banks. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows		
	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
Cash at Bank	1,316,885	1,744,478
Bank Accepted Bills and Securities	33,903,287	31,150,488
<b>Net Cash at End of Year</b>	<b>35,220,172</b>	<b>32,894,966</b>
<b>ii. Reconciliation of Net Cash used in Operations to Net Surplus</b>		
<b>Net Surplus</b>	<b>(1,048,155)</b>	<b>5,187,062</b>
<b>Add/(less) Non-Cash/Non-Operating Items</b>		
Depreciation	10,206,502	9,719,589
Profit on disposal of property, plant and equipment	(133,193)	-
Loss on disposal of property, plant and equipment	-	93,607
Asset Revaluation Adjustment	10,810,817	1,818,261
Government Grants Received for assets development	(1,842,538)	(1,383,175)
Reclassify Self-Supporting Contributions	(484,470)	(260,000)
Developer's contribution	-	-
Share of joint venture entity net profit	-	1,533,565
<b>Changes in Assets and Liabilities during the financial year:</b>		
(Increase ) Decrease in Accrued Income	(45,389)	204,881
Decrease in Accrued Expenses	64,574	50,680
Decrease in Accrued Interest Payable	2,764	(7,329)
(Increase ) Decrease in Current Receivables	(223,840)	3,360,265
(Increase) Decrease in Non-Current Receivables	(36,778)	(57,559)
Increase (Decrease) in Current Creditors	(166,474)	3,034,294
Increase (Decrease) in Non-Current Creditors	(33,977)	94,646
Increase in Inventory	9,444	(55,433)
Increase in Provision for Employee Entitlements	480,292	500,820
Decrease in Prepayments	(172,576)	174,728
<b>Net Cash provided by Operating Activities</b>	<b>17,387,004</b>	<b>24,008,902</b>

**CITY OF MELVILLE  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006 BUDGET \$</b>	<b>2006 ACTUAL \$</b>
<b>REVENUES</b>		
General Purpose Funding (excluding rates)	5,422,378	5,298,415
Governance	163,680	1,423,430
Law, Order & Public Safety	3,856,037	3,582,615
Health	135,650	111,853
Education & Welfare	1,019,071	1,165,151
Housing	1,134,489	1,406,347
Community Amenities	8,467,016	8,271,441
Recreation & Culture	7,729,747	7,526,536
Transport	387,226	2,653,577
Economic Services	847,000	1,098,280
Other Property & Services	1,323,969	1,490,237
	<b>30,486,263</b>	<b>34,027,881</b>
<b>LESS EXPENDITURE</b>		
General Purpose Funding	(1,604,348)	(1,430,368)
Governance	(6,634,133)	(5,956,551)
Law, Order & Public Safety	(4,704,016)	(4,233,695)
Health	(798,791)	(813,614)
Education & Welfare	(2,833,078)	(2,756,167)
Housing	(35,700)	(32,831)
Community Amenities	(10,084,638)	(10,416,588)
Recreation & Culture	(22,599,781)	(21,798,432)
Transport	(7,758,349)	(7,963,317)
Economic Services	(1,491,424)	(1,337,369)
Other Property & Services	(1,283,081)	(2,201,269)
	<b>(59,827,339)</b>	<b>(58,940,201)</b>
	<b><i>Increase/(Decrease)</i></b>	<b><i>(29,341,076)</i></b>
<b>ADD</b>		
Capital Grants and Contributions	3,213,999	1,842,538
Proceeds from Sale of Assets	2,753,955	871,248
Depreciation written back	9,740,636	10,206,502
	<b>(13,632,486)</b>	<b>(11,992,031)</b>
<b>LESS CAPITAL WORKS PROGRAM</b>		
Governance	(8,262,934)	(6,776,342)
Law, Order & Public Safety	(240,907)	(172,271)
Health	(8,500)	(6,402)
Education & Welfare	(185,000)	(54,930)
Housing	-	-
Community Amenities	(264,732)	(160,053)
Recreation & Culture	(8,710,319)	(2,867,034)
Transport	(6,523,354)	(5,137,560)
Economic Services	-	-
Other Property & Services	(3,517,430)	(3,085,461)
	<b>(41,345,662)</b>	<b>(30,252,084)</b>
<b>OTHER</b>		
Decrease (Increase) in Non-current assets	-	(36,776)
Increase (Decrease) in Non-current liabilities	-	257,037
Repayment of Debt	(269,207)	(294,680)
Less Contributions (Self Supporting Loans)	269,207	294,680
Transfer to Reserves	(4,465,708)	(17,221,885)
	<b>(45,811,370)</b>	<b>(47,253,709)</b>
<b>ADD FUNDING SOURCES</b>		
Reserves Utilised	12,827,463	17,221,171
Loans/Trust Funds	600,000	484,470
Opening Funds	-	1,243,999
<b>LESS Closing Funds</b>	-	4,208,994
<b>AMOUNT TO BE MADE UP FROM RATES</b>	<b>32,383,907</b>	<b>32,513,063</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 1**

**SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies which have been adopted in the preparation of this report are:

**(a) Basis of Accounting**

The financial report is a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards and the Local Government Act 1995 (as amended) and accompanying regulations (as amended). The financial report has also been prepared on the accruals basis under the convention of historical costs and does not take into account changing money values, or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied, unless otherwise stated.

**(b) 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 funds have been eliminated.

Monies held in the Trust Fund which Council holds in a custodial role are excluded from the financial statements because the monies cannot be used for Council purposes. A separate statement of those monies appears in Note 13 of these financial statements.

**(c) Adoption of the Australian Equivalents to International Financial Reporting Standards (AIFRS)**

The City of Melville is in compliance with AIFRS in the Annual Financial Report for the year ended 30 June 2006. This has resulted in some changes to the accounting policies to the previously prepared Annual Financial Statements (prepared under previously Generally Accepted Accounting Principles - "GAAP" )

**(d) Fixed Assets**

Property, plant and equipment and infrastructure assets are brought to account at cost, or if acquired other than by purchase as valued by the Chief Executive Officer and at valuation as described in Note 8 (a), less, where applicable, any accumulated depreciation or amortisation.

The value of the infrastructure assets (other than bridges and land under roads) has been recorded in the Balance Sheet. Bridges and land under roads are excluded from infrastructure in accordance with legislative requirements.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 1  
SIGNIFICANT ACCOUNTING POLICIES (cont'd.)**

**(e) Depreciation of Non-Current Assets**

Items of property, plant and equipment including buildings, but excluding freehold land, are depreciated over their estimated useful lives as follows:

Buildings	40 years
Investment Property - Buildings	40 years
Plant and Equipment	2-8 years
Property Improvements	10 years
Furniture and Fittings	10 years
Electronic Equipments	3-4 years
Computer Equipment	3-4 years
Mobile Plant	1-10 years
Artworks	Nil years
Infrastructure - Roads	50 years
Infrastructure - Drains	80 years
Infrastructure - Footpaths	30-50 years
Infrastructure - Irrigation Systems	20 years
Infrastructure - Street Furniture	20 years

**(f) 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. Control over granted assets is normally obtained upon their receipt or upon prior notification that a grant has been secured, and the timing of commencement of control depends upon the arrangements that exist between the grantor and the Local Government.

Outstanding rates are recognised as receivable but no provision is made for doubtful debts as all outstanding rates are ultimately collectable.

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 amount pertaining to those undischarged conditions are disclosed in Note 5(c). 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 1  
SIGNIFICANT ACCOUNTING POLICIES (cont'd.)**

**(g) Employee Benefits**

The provision for employee benefits relates to amounts expected to be paid to employees for annual and long service leave and is based on legal and contractual entitlements.

The long service leave liability is based on the following percentages of the calculated liability:

Employees with 7 or more years service	100 per cent
Employees with less than 7 years service	66 per cent

The liability has also been reduced by amounts which will be recovered from other Councils for previous service.

Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**(h) Superannuation**

In accordance with statutory requirements Council contributes on behalf of its employees to the WA Local Government Superannuation Plan. Contributions are charged as an expense when incurred.

**(i) Investments**

Investments are valued at cost except for managed trust units which are recorded at market value. Interest revenues are recognised as they accrue.

**(j) Rounding of Figures**

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

**(k) Inventories**

Inventories and Works in Progress are valued at the lower of cost and net realisable value determined by application of the average cost method.

**(l) Comparatives**

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

**(m) Goods and Services Tax**

In accordance with the recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable except where the amount of GST incurred is not recoverable from the Australian Tax Office. Receivables and payables in the Balance Sheet are stated inclusive of applicable GST.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 1  
SIGNIFICANT ACCOUNTING POLICIES (cont'd.)**

**(n) Impairment of Assets**

Assets, other than inventories, are tested for impairment where an impairment trigger (per AIFRSs) has occurred. To the extent any impairment is determined, this will be recognised immediately in the income statement.

**(o) Financial Instruments**

Council's accounting policies including the terms and conditions of each class of financial asset and liability recognised at balance date are:

**Receivables**

Trade receivables are carried at nominal amounts. Credit terms offered to Council's non-rates debtors are 30 days net. The credit terms relating to rates debtors are in accordance with the legislative requirements of the Local Government Act 1995 and are detailed separately at Note 17.

**Short-Term Deposits**

The accounting policy applied in respect of short-term deposits is as stated at Note 1(h). Interest is recognised as earned rather than upon receipt.

**Trade Creditors**

Liabilities are recognised for amounts to be paid in the future for goods and services supplied to Council irrespective of whether or not the amounts have yet been billed. Trade creditors are normally settled on 30-day terms. Remittances to the Australian Taxation Office are made by electronic funds transfer within seven days in accordance with current legislative requirements.

**Net Fair Values**

All financial assets and liabilities are recognised and carried in the Balance Sheet at net fair values. There is no divergence between carrying amounts and net fair values of these financial instruments. The carrying amounts of cash, cash equivalents, receivables, trade creditors and short-term deposits all approximate net fair value because of the short term to maturity.

**Interest Rate Risk**

Council's exposure to interest rate risk is considered minimal. All financial instruments are governed by fixed rates of interest.

**Credit Risk Exposure**

Council's maximum exposure to credit risk at balance date in relation to each class of financial instrument recognised in the Balance Sheet is the carrying amount disclosed therein with the exception of rate debtors. There is a zero credit risk exposure in relation to rate debtors because of the powers granted by the Local Government Act 1995 giving Council the capacity to seize rateable land upon which payment of rates is more than three years in arrears. Council is not exposed to any significant industry concentration of credit risk with respect to receivables. Whilst the majority of rates debtors are geographically concentrated within the municipality, this is not considered to represent any credit risk.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 2**

**REVENUES AND EXPENSES**

The operating revenue and expenses reported for the year included:

Charging as expenses:

	NOTE	2006 Budget \$	2006 Actual \$	2005 Actual \$
<b>Depreciation of non-current assets</b>				
Depreciation - Buildings		2,364,208	2,480,120	2,400,744
Depreciation - Investment Property			425	
Depreciation - Plant and Equipment		199,413	209,344	173,573
Depreciation - Furniture and Fittings		294,086	346,471	337,681
Depreciation - Property Improvements		121,793	152,947	134,337
Depreciation - Computer Equipment		543,341	576,468	533,539
Depreciation - Electronic Equipment		97,416	65,170	
Depreciation - Mobile Plant		1,394,496	1,453,343	1,292,480
Depreciation - Artworks		710	741	684
Depreciation - Roads		3,106,341	3,235,800	3,229,099
Depreciation - Drains		554,830	576,828	574,516
Depreciation - Footpaths		381,043	396,991	352,045
Depreciation - Irrigation Systems		492,346	513,245	504,139
Depreciation - Street Furniture		190,613	198,609	186,752
	<b>4</b>	<b>9,740,636</b>	<b>10,206,502</b>	<b>9,719,589</b>
<b>Borrowing Costs Expense</b>	<b>4</b>	<b>366,254</b>	<b>388,596</b>	<b>389,861</b>
<b>Auditors remuneration</b>				
Audit		16,000	16,560	21,500
<b>Infrastructure Assets Revaluation Adjustment</b>	<b>8b</b>	-	<b>10,810,817</b>	<b>1,818,261</b>
<b>Profit/(loss) on sale of non-current assets</b>	<b>8c</b>	<b>1,800,000</b>	<b>133,193</b>	<b>(93,607)</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 3  
STATEMENT OF OBJECTIVES**

In order to discharge its responsibilities to the community, the City has developed a set of operational and financial objectives. These have been established both on an overall basis and for each of its broad activities/programmes.

<b>Programme Titles</b>	<b>Objectives/Activities included within the Programme</b>
General Purpose Funding	Rates, general purpose government grants and interest revenue
Governance	Members of Council Administration General Corporate Support Services Financial Services Human Resources Services Information Technology Services Information Services Management Services Strategic Services
Law, Order and Public Safety	Fire Prevention Animal Control Pound Maintenance Other control expenses Other Law, Order and Public Safety Emergency Services Community Security Services Neighbourhood Watch Supervision of various by-laws
Health	Maternal and Infant Health Child Health Centres Preventative Services Immunisation Food Inspection Pest Control Other
Education and Welfare	Pre-School Pre-school maintenance School-ground maintenance School Prizes, Donations, etc. Care of Families and Children Child Care Centres, Day Care Centres and Play Centres Aged and Disabled Senior Citizen Centres Meals on Wheels Service Community Bus - Disabled Persons Respite Workshop

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

<b>Programme Titles</b>	<b>Objectives/Activities included within the Programme</b>
Education and Welfare (cont'd.)	Family Support program Home and Community Care Facility Maintenance Other Welfare Multicultural program Social English Club Other
Housing	Housing other POS housing/rental properties
Community Amenities	Sanitation Household Refuse Collection Recycling program Commercial Refuse Collection Protection of the Environment Noise Control Removal of Derelict and Abandoned Vehicles Reserve Construction Town Planning and Regional Development Other Community Amenities
Recreation and Culture	Public Halls, Civic Centres Swimming Areas and Beaches Melville Aquatic Centre Leeming Aquatic Centre Foreshore Building and Area Maintenance Other Recreation and Sport Parks and Reserves Maintenance Leeming Recreation Centre Point Walter Golf Course Southern District Recreation Centre Blue Gum Recreation Centre Melville Recreation Centre Other Recreation and Sports programs Kardinya Community Hall Libraries Other Culture Wireless Hill Museum Local Heritage Project Art Exhibition Community Arts program Historical Projects Tourism and Area Promotion

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

<b>Programme Titles</b>	<b>Objectives/Activities included within the Programme</b>
Transport	Construction of Streets/Roads/Depot (non-capitalised items) Maintenance Streets/Roads/Depot Parking Facilities
Economic Services	Building Control Building Control - General Swimming Pool Inspection Plant Nursery
Other Property and Services	Design Services Public Works Overheads Plant Operation Costs Unclassified

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 4**

**REVENUES AND OPERATING EXPENSES BY NATURE AND TYPE**

	<b>2006 Budget \$</b>	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
<b>Revenues from Ordinary Activities</b>			
Rates - General	32,383,907	32,513,063	30,950,975
Fees and Charges	17,939,857	18,513,134	17,284,567
Service Charges	1,469,796	1,495,793	1,487,212
Interest Revenue	1,920,498	3,614,410	2,750,391
Contributions and donations	2,382,948	3,000,332	2,788,741
Self-supporting contributions	346,254	375,994	377,230
Other	2,930,589	3,745,489	3,383,053
	<b>59,373,849</b>	<b>63,258,217</b>	<b>59,022,169</b>
Grants - for Asset Acquisition	3,213,999	1,842,538	1,383,175
Grants - for Other Purposes	3,496,321	3,634,006	3,800,942
	<b>6,710,320</b>	<b>5,476,544</b>	<b>5,184,117</b>
Gain on Disposal of Assets	1,800,000	133,193	-
	<b>67,884,169</b>	<b>68,867,953</b>	<b>64,206,286</b>
<b>Expenses from Ordinary Activities</b>			
Employee costs	22,938,440	26,383,197	23,910,797
Materials and contracts	22,846,325	16,801,905	17,788,243
Depreciation and amortisation	9,740,636	10,206,502	9,719,589
Insurance costs	1,249,307	789,913	665,164
Utilities expenditure	2,135,717	2,606,280	2,486,147
Other	550,660	1,928,898	2,147,555
	<b>59,461,085</b>	<b>58,716,695</b>	<b>56,717,495</b>
Loss on Disposal of Assets	-	-	93,607
	<b>59,461,085</b>	<b>58,716,695</b>	<b>56,811,102</b>
<b>Borrowing Costs Expenses</b>			
Interest paid on self-supporting loans and bank overdraft	366,254	388,596	389,861
<b>Asset Revaluation Adjustment</b>			
Infrastructure assets	-	10,810,817	1,818,261
<b>NET SURPLUS</b>	<b>8,056,830</b>	<b>(1,048,155)</b>	<b>5,187,062</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 5 (a)**

**CASH, CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS**

	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
<b>Current</b>		
Cash and Bank	1,316,885	1,744,478
Bank Accepted Bills and Customised Securities	33,903,287	31,150,488
	<b>35,220,172</b>	<b>32,894,966</b>
<b>Represented by</b>		
Restricted Funds	25,463,128	25,574,065
Unrestricted Funds	9,757,044	7,320,901
	<b>35,220,172</b>	<b>32,894,966</b>
The following restrictions have been imposed by regulations or other externally imposed requirements		
<b>(a) Reserve funds</b>	22,669,966	22,669,253
<b>(b) Unexpended loan funds</b>	6,408	277,199
<b>(c) Controlled trust funds</b>	2,644,201	2,491,548
<b>(d) Citizens' Relief Funds</b>	142,553	136,065
<b>Total Restricted Funds</b>	<b>25,463,128</b>	<b>25,574,065</b>
Investments are made in accordance with the Western Australian Trustees Act 1962 and the Western Australian Trustees Amendment Act 1997. Investments were held in the following categories:		
<b>NOTE 5 (b)</b>		
<b>Non-Current</b>		
Units (10) held in Local Government House	40,734	40,734
	<b>40,734</b>	<b>40,734</b>
<b>Total Other Financial Assets</b>	<b>40,734</b>	<b>40,734</b>
<b>NOTE 5 (c)</b>		
<b>CONDITIONS OVER CONTRIBUTIONS</b>		
Grants which were recognised as revenues during the reporting year and which have not been expended as specified by the contributor have been carried forward to the new financial year	<b>73,700</b>	<b>11,748</b>
Grants which were carried forward from last year and expended during the reporting year	<b>11,748</b>	<b>531,527</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 6  
TRADE AND OTHER RECEIVABLES**

	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
<b>Current</b>		
Rates Outstanding	2,413,386	2,128,111
Sundry Debtors	185,567	
Less: Provision for Bad and Doubtful Debts	(44,661)	202,340
Loans - Clubs and Institutions	318,301	292,590
<b>Total Current Receivables</b>	<b>2,872,593</b>	<b>2,623,041</b>
<b>Non-Current</b>		
Deferred Rates - Pensioners *	932,402	895,626
Loans - Clubs and Institutions	4,997,302	4,925,078
<b>Total Non-Current Receivables</b>	<b>5,929,704</b>	<b>5,820,704</b>
* Amounts deferred by eligible pensioners in accordance with the Rates and Charges (Rebates and Deferments) Act 1992.		

**NOTE 7  
INVENTORIES AND OTHER ASSETS**

	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
<b>(a) INVENTORIES</b>		
<b>Current</b>		
Fuel and Materials at Cost	138,671	148,115
<b>Total Current Inventories</b>	<b>138,671</b>	<b>148,115</b>
<b>(b) OTHER ASSETS</b>		
Prepayments	250,451	60,665
Goods and Services Tax Refund	367,131	384,341
Accrued Income	633,281	587,892
<b>Total Other Assets</b>	<b>1,250,863</b>	<b>1,032,898</b>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006

**NOTE 8**  
**PROPERTY, PLANT AND EQUIPMENT**  
**8 (a) Property, Plant and Equipment**

	<b>2006</b> <b>Actual</b> <b>\$</b>	<b>2005</b> <b>Actual</b> <b>\$</b>
<b>Land</b>		
At officers' valuation as at 30 June 2006	28,275,796	24,588,290
<b>Closing Written Down Value</b>	<b>28,275,796</b>	<b>24,588,290</b>
<b>Buildings</b>		
At officers' valuation as at 30 June 2006	109,273,210	97,970,759
less Accumulated Depreciation	(37,677,356)	(35,197,237)
<b>Closing Written Down Value</b>	<b>71,595,854</b>	<b>62,773,522</b>
<b>Plant and Equipment</b>		
At cost	6,054,292	5,654,048
less Accumulated Depreciation	(5,052,579)	(4,893,984)
<b>Closing Written Down Value</b>	<b>1,001,712</b>	<b>760,064</b>
<b>Electronic Equipment</b>		
At cost	464,364	360,294
less Accumulated Depreciation	(190,556)	(125,386)
<b>Closing Written Down Value</b>	<b>273,808</b>	<b>234,908</b>
<b>Furniture and Fittings</b>		
At officers' valuation as at 30 June 2006	3,679,241	3,535,811
less Accumulated Depreciation	(2,025,802)	(1,769,886)
<b>Closing Written Down Value</b>	<b>1,653,439</b>	<b>1,765,925</b>
<b>Computer Equipment</b>		
At cost	3,022,437	2,270,665
less Accumulated Depreciation	(1,662,148)	(1,162,988)
<b>Closing Written Down Value</b>	<b>1,360,289</b>	<b>1,107,677</b>
<b>Property Improvements</b>		
At cost	2,199,529	2,089,792
less Accumulated Depreciation	(1,494,546)	(1,341,599)
<b>Closing Written Down Value</b>	<b>704,983</b>	<b>748,193</b>
<b>Mobile Plant</b>		
At cost	10,475,763	9,698,286
less Accumulated Depreciation	(4,348,181)	(4,380,184)
<b>Closing Written Down Value</b>	<b>6,127,582</b>	<b>5,318,102</b>
<b>Artworks</b>		
At cost	75,739	70,522
less Accumulated Depreciation	(4,115)	(3,542)
<b>Closing Written Down Value</b>	<b>71,624</b>	<b>66,980</b>
<b>Infrastructure - Roads</b>		
Revaluation as at 30 June 2006	180,237,433	163,162,226
less Depreciation	(68,027,815)	(34,464,996)
<b>Closing Written Down Value</b>	<b>112,209,619</b>	<b>128,697,230</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**8 (a) Property, Plant and Equipment (cont'd)**

	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
<b>Infrastructure - Drains</b>		
Revaluation as at 30 June 2006	46,356,317	46,132,926
less Depreciation	(14,776,876)	(14,200,214)
<b>Closing Written Down Value</b>	<b>31,579,440</b>	<b>31,932,712</b>
<b>Infrastructure - Footpath</b>		
Revaluation as at 30 June 2006	24,173,546	19,801,818
less Depreciation	(3,018,446)	(2,095,068)
<b>Closing Written Down Value</b>	<b>21,155,100</b>	<b>17,706,749</b>
<b>Infrastructure - Parks</b>		
Revaluation as at 30 June 2006	3,101,390	3,042,969
less Depreciation	-	-
<b>Closing Written Down Value</b>	<b>3,101,390</b>	<b>3,042,969</b>
<b>Infrastructure - Street Furniture</b>		
Revaluation as at 30 June 2006	4,345,029	3,962,270
less Depreciation	(937,415)	(739,302)
<b>Closing Written Down Value</b>	<b>3,407,614</b>	<b>3,222,968</b>
<b>Infrastructure - Irrigation Systems</b>		
Revaluation as at 30 June 2006	10,745,233	10,234,385
less Depreciation	(4,748,678)	(4,830,108)
<b>Closing Written Down Value</b>	<b>5,996,554</b>	<b>5,404,277</b>
<b>Total Property, Plant and Equipment</b>	<b>288,514,803</b>	<b>287,391,167</b>

**8 (b) Investment Property**

	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
<b>Investment Property : Land</b>		
At officers' valuation as at 30 June 2006	1,015,800	
<b>Closing Written Down Value</b>	<b>1,015,800</b>	-
<b>Investment Property : Buildings</b>		
At officers' valuation as at 30 June 2006	203,880	-
less Accumulated Depreciation	(75,825)	-
<b>Closing Written Down Value</b>	<b>128,055</b>	-
<b>Total Investment Property</b>	<b>1,143,855</b>	-

**Revaluation of Assets**

Infrastructure assets (roads, drains, footpaths) are re-valued annually at 30 June to the depreciated current replacement cost. Infrastructure assets are valued by Council's engineering department using known replacement costs for each category of infrastructure asset and physical inspection to establish age, remaining useful life and condition

Revaluation of land and buildings will also be undertaken every 2 to 3 years to ensure accuracy of the carrying value of the asset. A revaluation of land and buildings was undertaken as at 30 June 2006.

For 2005/06 this has resulted in a net transfer to asset revaluation reserve of \$5,762,811 and recognition of revaluation expense for Roads, Parks and Drainage of \$10,810,817

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**8 (c) Disposal of Assets**

	Net Book Value \$		Sale Price \$		Profit/(Loss) \$	
	Actual	Budget	Actual	Budget	Actual	Budget
Artworks	1,661	-	-	-	(1,661)	-
Electronic Equipment	45,260	-	-	-	(45,260)	-
Land	-	-	-	1,800,000	-	1,800,000
Mobile Plant and Vehicles	638,754	953,955	842,739	953,955	203,985	-
Plant and Equipment	38,387	-	15,018	-	(23,368)	-
Furniture and Fittings	4,656	-	10,755	-	6,098	-
Computer Equipment	9,336	-	2,736	-	(6,600)	-
<b>Total</b>	<b>738,054</b>	<b>953,955</b>	<b>871,248</b>	<b>2,753,955</b>	<b>133,193</b>	<b>1,800,000</b>

**8 (d) The carrying amount of assets classified by function and activity**

	2006 Actual \$	2005 Actual \$
Governance	28,637,903	28,196,961
Law, Order and Public Safety	51,769	50,972
Health	212,818	209,541
Education and Welfare	5,829,150	5,739,398
Community Amenities	1,045,978	1,029,873
Recreation and Culture	64,015,340	63,029,685
Transport	216,852,633	213,513,714
Other Property and Services	18,465,797	18,181,480
<b>Total</b>	<b>335,111,395</b>	<b>329,951,625</b>

**8 (e) Summary of Asset Movements**

	WDV Opening	Acquisitions	Net Disposal	Net Revaluation	Depreciation P&L Charge	WDV Closing
Art Works	66,980	7,047	1,661	-	741	71,624
Buildings	62,773,522	4,873,809	96,000	6,524,643	2,480,120	71,595,855
Computer Equipment	1,107,677	838,417	9,336	-	576,468	1,360,289
Drains	31,932,712	160,007	-	63,549	576,828	31,579,440
Electronic Equipment	-	509,625	45,260	-	190,556	273,808
Footpath	17,706,749	572,758	-	3,272,583	396,991	21,155,100
Furniture & Fittings	2,000,833	238,640	364,950	-	221,085	1,653,439
Irrigation System	5,404,277	366,169	-	739,354	513,245	5,996,554
Land	24,588,290	1,587,501	-	2,100,005	-	28,275,795
Mobile Plant	5,318,102	2,901,579	638,756	-	1,453,343	6,127,582
Parks	3,042,969	1,605,841	-	(1,547,420)	-	3,101,390
Plant & Equipment	760,064	489,376	38,387	-	209,344	1,001,712
Property Improvement	748,193	109,736	-	-	152,947	704,983
Roads	128,697,230	4,336,913	-	(17,588,724)	3,235,801	112,209,619
Street Furniture	3,222,968	118,931	-	264,323	198,609	3,407,614
	<b>287,370,566</b>	<b>18,716,349</b>	<b>1,194,351</b>	<b>(6,171,687)</b>	<b>10,206,076</b>	<b>288,514,803</b>
Investment Property :						-
Buildings	-	-	-	128,480	425	128,055
Land	-	-	-	1,015,800	-	1,015,800
	-	-	-	<b>1,144,280</b>	<b>425</b>	<b>1,143,855</b>
	<b>287,370,566</b>	<b>18,716,349</b>	<b>1,194,351</b>	<b>(5,027,407)</b>	<b>10,206,501</b>	<b>289,658,658</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 9**

**BORROWINGS**

		<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
Current	Loans	318,301	292,590
Non-Current	Loans	4,997,302	4,925,078
<b>Total</b>		<b>5,315,603</b>	<b>5,217,668</b>

**9 (a) Details of Loan Liability**

Programme/sporting Body	Loan No	Principal \$ 30 June 2005	(Loans Discharged) /New Loans Raised	Interest \$		Loan Repayment \$		Principal \$ 30 June 06
				Budget	Actual	Budget	Actual	
Applecross Junior Football Club	376	2,063		2	2	2,059	2,063	0
Applecross Tennis Club	372	99,851		6,520	6,538	0	0	99,851
Blue Gum Park Tennis Club	377	11,837		686	668	2,697	2,697	9,141
Blue Gum Park Tennis Club	392	124,002		7,720	7,733	17,531	17,531	106,471
Brentwood Karoonda Sporting Club	391	6,028		261	210	6,028	6,028	0
Bull Creek Tennis Club	388	47,251	(47,251)	2,983	-149	2,887		0
Kardinya Bowling Club	379	335,188		24,191	23,918	13,639	13,639	321,550
Kardinya Bowling Club	402	60,000		0	3,461	1,668	1,668	58,332
Kardinya Sports Association	397	30,227		1,462	1,478	5,550	5,399	24,828
Leeming Bowls & Recreation (Restructure)	403	143,412		8,777	8,666	3,987	3,987	139,425
Leeming Sport Association	398	236,463		14,618	14,529	7,417	7,417	229,046
Melville Bowling Club	394	115,655		7,303	7,210	9,162	9,162	106,494
Melville City Hockey Club	400	260,000		0	15,320	1,253	11,164	248,836
Melville Glades Golf Club	382	952,197		76,475	76,039	19,415	19,415	932,781
Melville Glades Golf Club	383	954,055		77,024	76,601	18,866	18,866	935,189
Melville Glades Golf Club	393	941,128		67,454	66,796	28,436	28,436	912,692
Melville Palmyra Tennis Club	396	12,296		595	601	2,258	2,196	10,100
Melville Soccer Club	387	7,371		108	132	3,738	7,371	0
Melville Theatre Co	378	17,030		979	990	3,471	3,358	13,672
Mt Pleasant Bowling Club	395	44,602	(44,602)	2,404	-96	7,134		0
South of Perth Yacht Club	374	345,709		19,075	17,798	108,517	108,517	237,192
Tompkins Park Comm. & Rec Assoc.	399	450,607		27,017	27,090	8,475	8,475	442,132
Tompkins Park Comm. & Rec Assoc.	401	20,695		601	1,238	391	391	20,304
<b>9 (b) New Loans Raised</b>								0
Bull Creek Tennis Club	406		89,172		2,190		1,796	87,376
Mt Pleasant Bowling Club	404		395,298		17,637		15,104	380,193
					0			
<b>Total</b>		<b>5,217,668</b>	<b>392,615</b>	<b>346,254</b>	<b>376,599</b>	<b>274,578</b>	<b>294,680</b>	<b>5,315,603</b>

**9 (b) Debenture Loans Raised During Year**

	<b>2006 Budget</b>	<b>2006 Actual</b>
Loan 404 - Self Supporting Loan for Mt Pleasant Bowling Club WA Treasury Corp - 10 Years @ half yearly intervals Interest Rate 5.48% - Loan fully used	-	395,298
Loan 406 - Self Supporting Loan for Bull Creek Tennis Club WA Treasury Corp - 20 Years @ quarter yearly intervals Interest Rate 5.66% - Loan fully used	-	89,172
	<b>-</b>	<b>484,470</b>

**9 (c) Balance of unspent loan funds borrowed in previous years**

Loan	Year Borrowed	Opening Balance	New Loan	Loan Expended	Closing Balance
373 Tompkins Park Sports	1997-98	1,695	-	-	1,695
378 Melville Theatre Club	1999-00	4,712	-	-	4,712
398 Leeming Sport Association	2002-03	10,792	-	10,792	-
400 Melville City Hockey Club	2004-05	260,000	-	260,000	-
Bull Creek Tennis Club	2005-06		395,298	395,298	-
Mt Pleasant Bowling Club	2005-06		89,172	89,172	-
<b>Total</b>		<b>277,199</b>	<b>484,470</b>	<b>755,262</b>	<b>6,407</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 10**

**CURRENT LIABILITIES**

		<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
Trade and Other Payables			
	Creditors	5,356,133	5,709,240
	Indemnification of Trusts	2,044,830	1,858,197
	Accrued Salaries and Wages	203,061	138,486
	Accrued Interest	120,222	117,457
		<b>7,724,246</b>	<b>7,823,380</b>
Provisions			
	Provision for Annual Leave	1,865,126	4,635,131
	Provision for Long Service Leave	1,947,339	1,988,056
		<b>3,812,465</b>	<b>3,623,187</b>

**NON-CURRENT LIABILITIES**

Trade and Other Payables			
	Indemnification of Trusts	599,373	633,350
Provisions			
	Provision for Long Service Leave	727,660	566,648
	Provision for Sick Leave	130,002	-
		<b>857,662</b>	<b>566,648</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 11  
RESERVES**

	<b>2006 Budget \$</b>	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
<b>Applecross Streetscape Reserve</b> To be used for underground projects and streetscape enhancements in the suburb of Applecross			
Balance at beginning of reporting period	54,206	56,496	54,206
Transfers from Accumulated Surplus	3,473	2,578	2,290
Transfers to Accumulated Surplus		-	-
<b>Balance at end of reporting period</b>	<b>57,679</b>	<b>59,074</b>	<b>56,496</b>
<b>Civic Centre Improvements Reserve</b> To be used for improvements to the buildings and associated landscaping and car parking located within the Civic Centre Precinct			
Balance at beginning of reporting period	160,221	62,437	59,906
Transfers from Accumulated Surplus	3,859	100,016	202,531
Transfers to Accumulated Surplus	(100,000)	-	(200,000)
<b>Balance at end of reporting period</b>	<b>64,080</b>	<b>162,453</b>	<b>62,437</b>
<b>Community Facilities Reserve</b> To be used for the provision, refurbishment or improvement of community facilities located in the City of Melville			
Balance at beginning of reporting period	2,379,286	2,129,682	365,027
Transfers from Accumulated Surplus	136,121	933,428	1,810,873
Transfers to Accumulated Surplus	(999,776)	(10,782)	(46,218)
<b>Balance at end of reporting period</b>	<b>1,515,631</b>	<b>3,052,329</b>	<b>2,129,682</b>
<b>Information and Technical (IT)Equipment Reserve</b> To be used to fund the acquisition and replacement of computer software and hardware			
Balance at beginning of reporting period	425,000	254,690	-
Transfers from Accumulated Surplus	-	1,126,041	254,690
Transfers to Accumulated Surplus	(425,000)	(254,690)	
<b>Balance at end of reporting period</b>	<b>-</b>	<b>1,126,041</b>	<b>254,690</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006 Budget \$</b>	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
<b>Insurance Equalisation Reserve</b>			
To be used to fund prior years insurance premium contingencies, the self insured element of insurance claims and risk management initiatives or projects			
Balance at beginning of reporting period	1,066,489	1,357,024	1,131,730
Transfers from Accumulated Surplus	281,839	810,492	319,354
Transfers to Accumulated Surplus	(24,000)	(17,585)	(94,060)
<b>Balance at end of reporting period</b>	<b>1,324,328</b>	<b>2,149,929</b>	<b>1,357,024</b>
<b>Land and Property Reserve</b>			
To be used to fund land and property purchases within the City of Melville			
Balance at beginning of reporting period	759,407	2,311,932	1,692,176
Transfers from Accumulated Surplus	675,112	4,705,489	705,043
Transfers to Accumulated Surplus	(1,434,519)	(5,187,500)	(85,287)
<b>Balance at end of reporting period</b>	<b>-</b>	<b>1,829,922</b>	<b>2,311,932</b>
<b>Leave Entitlements Reserve</b>			
To be used to fund annual leave, sick leave and long service leave entitlements			
Balance at beginning of reporting period	756,367	1,029,442	756,367
Transfers from Accumulated Surplus	48,467	254,677	273,075
Transfers to Accumulated Surplus	-	-	-
<b>Balance at end of reporting period</b>	<b>804,834</b>	<b>1,284,119</b>	<b>1,029,442</b>
<b>Leeming Recreation Centre Sponsorship Reserve</b>			
To be used to fund improvements to the Leeming Recreation Centre			
Balance at beginning of reporting period	67,799	70,664	67,799
Transfers from Accumulated Surplus	-	-	2,865
Transfers to Accumulated Surplus	(67,799)	(70,664)	-
<b>Balance at end of reporting period</b>	<b>-</b>	<b>-</b>	<b>70,664</b>
<b>Parking Facilities Reserve</b>			
To be used to fund the provision, refurbishment or improvement of parking facilities and equipment			
Balance at beginning of reporting period	124,383	235,374	128,595
Transfers from Accumulated Surplus	86	7,075	106,779
Transfers to Accumulated Surplus	(123,043)	(160,624)	-
<b>Balance at end of reporting period</b>	<b>1,426</b>	<b>81,825</b>	<b>235,374</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006 Budget \$</b>	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
<b>Plant Replacement Reserve</b>			
To be used to fund the purchase of replacement of motor vehicles and plant including waste trucks			
Balance at beginning of reporting period	1,792,374	1,679,693	1,877,393
Transfers from Accumulated Surplus	1,626,148	1,451,487	1,323,593
Transfers to Accumulated Surplus	(2,321,228)	(1,830,047)	(1,521,292)
<b>Balance at end of reporting period</b>	<b>1,097,294</b>	<b>1,301,133</b>	<b>1,679,694</b>
<b>Public Open Space Reserve (POS)</b>			
To be used to fund the purchase and development of public open space parks and reserves			
Balance at beginning of reporting period	1,119,002	1,070,853	722,050
Transfers from Accumulated Surplus	401,704	388,381	348,803
Transfers to Accumulated Surplus	(1,520,706)	-	-
<b>Balance at end of reporting period</b>	<b>-</b>	<b>1,459,234</b>	<b>1,070,853</b>
<b>Refuse Disposal Reserve</b>			
To be used for the purchase of motor vehicles, plant and equipment associated with the collection and disposal of refuse			
Balance at beginning of reporting period	499,550	518,146	497,140
Transfers from Accumulated Surplus	32,010	68,478	21,006
Transfers to Accumulated Surplus	-	(283,961)	-
<b>Balance at end of reporting period</b>	<b>531,560</b>	<b>302,663</b>	<b>518,146</b>
<b>Refuse Facilities Reserve</b>			
To be used for payments relating to the establishment and operation of the regional waste management facility, funding associated costs and the cost of environmental and rehabilitation work of former tip sites previously operated by the City of Melville			
Balance at beginning of reporting period	3,129,463	3,674,395	3,563,188
Transfers from Accumulated Surplus	1,037,787	995,496	1,302,390
Transfers to Accumulated Surplus	(1,315,567)	(1,401,997)	(1,191,183)
<b>Balance at end of reporting period</b>	<b>2,851,683</b>	<b>3,267,894</b>	<b>3,674,395</b>
<b>Refuse Bin Reserve</b>			
To be used for the purchase and replacement of domestic and commercial refuse bins			
Balance at beginning of reporting period	283,101	311,860	222,256
Transfers from Accumulated Surplus	218,141	216,228	213,169
Transfers to Accumulated Surplus	(140,000)	(112,390)	(123,565)
<b>Balance at end of reporting period</b>	<b>361,242</b>	<b>415,698</b>	<b>311,860</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006 Budget \$</b>	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
<b>Road Asset Management Reserve</b>			
To be used to fund road asset management projects program			
Balance at beginning of reporting period	15,000	15,633	15,000
Transfers from Accumulated Surplus	961	713	633
Transfers to Accumulated Surplus	-	-	-
<b>Balance at end of reporting period</b>	<b>15,961</b>	<b>16,346</b>	<b>15,633</b>
<b>Unexpended Capital Works and Grants Reserve</b>			
To be used to carry forward available funding for uncompleted projects and grants that will be completed in ensuing financial years			
Balance at beginning of reporting period	4,355,825	7,890,931	5,168,967
Transfers from Accumulated Surplus		6,161,306	7,890,931
Transfers to Accumulated Surplus	(4,355,825)	(7,890,931)	(5,168,967)
<b>Balance at end of reporting period</b>	<b>-</b>	<b>6,161,306</b>	<b>7,890,931</b>
<b>Total Cash-Backed Reserves</b>	<b>8,625,717</b>	<b>22,669,966</b>	<b>22,669,253</b>
<b>NON-CASH-BACKED RESERVES</b>			
<b>Asset Revaluation Reserve</b>			
Balance at beginning of reporting period	-	51,028,114	51,250,721
Transfer from Retained Surplus	-	-	-
Revaluation of Assets	-	5,762,811	(222,607)
<b>Balance at end of reporting period</b>	<b>-</b>	<b>56,790,925</b>	<b>51,028,114</b>
<b>Total Non-Cash Backed-Reserves</b>	<b>-</b>	<b>56,790,925</b>	<b>51,028,114</b>
<b>Total Reserves</b>	<b>8,625,717</b>	<b>79,460,892</b>	<b>73,697,367</b>

**Cash-Backed Reserves**

All of the above cash-backed reserves are disclosed as restricted cash assets in Note 5 (a) to the financial report.

With the exception of the items listed below, no time periods have been set for utilisation of reserves. Reserves to be utilised in 2003-07 net of new transfers are:

Unexpended Capital Works and Grants Reserve	6,161,306
Community Facilities Reserve	999,692
Information Technology	173,963
Land and Property	1,717,112
Plant Replacement	84,258
Public Open Space Reserve	1,472,557
Refuse Facilities Reserve	468,196
<b>Total</b>	<b><u><u>\$11,077,084</u></u></b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 12**

**COMPARISON WITH RATE SETTING BUDGET**

**(a) Non-Operating Income and Expenditure**

The following non-operating income and expenditure and movements to and from reserve accounts are not included in the income statement

	<b>2006 Budget \$</b>	<b>2006 Actual \$</b>
<b>Non-Operating Income</b>		
Sale proceeds of assets	2,753,955	871,248
Transfers from Loan Funds	600,000	755,262
Transfers from Reserves	12,827,463	17,621,171
Principal repayment from self-supporting loans	269,207	294,680
<b>Total Non-Operating Income</b>	<b>16,450,625</b>	<b>19,542,363</b>
<b>Non-Operating Expenditure</b>		
Principal Repayment of self-supporting loans	269,207	294,680
Transfer to Reserves	4,465,708	17,621,885
<u>Capital Works Programme</u>		
Governance	8,262,934	6,776,342
Law, Order and Public Safety	240,907	172,271
Health	8,500	6,402
Education and Welfare	185,000	54,930
Housing	-	-
Community Amenities	264,732	160,053
Recreation and Culture	8,710,319	2,867,034
Transport	6,523,354	5,137,560
Economic Services	-	-
Other Property and Services	3,517,430	3,085,461
<b>Total Non-Operating Expenditure</b>	<b>32,448,091</b>	<b>36,176,619</b>

**(b) Net Current Assets as at 1 July 2005**

The net current assets carried forward from the previous financial year for the purpose of the 2005-06 budget was \$4,355,825. The actual net current asset shown in the audited financial reports as at 30 June 2005, after adjusting for restricted assets, was \$1,243,999.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 13**

**(a) CONTROLLED TRUST ITEMS**

Trust items over which Council has the capacity to determine the final deployment are included in the consolidated financial reports for the period. As at the end of this period, the classes of Trust items controlled by Council were:

	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
<b>Deposits Held</b>		
Balance at beginning of reporting period	1,720,141	1,510,928
Amounts Received during reporting period	600,080	544,333
Amounts Paid during reporting period	(355,809)	(335,120)
<b>Balance at end of reporting period</b>	<b>1,964,412</b>	<b>1,720,141</b>
<b>Retention Monies</b>		
Balance at beginning of reporting period	112,345	112,390
Amounts Received during reporting period	15,892	88,032
Amounts Paid during reporting period	(47,816)	(88,077)
<b>Balance at end of reporting period</b>	<b>80,421</b>	<b>112,345</b>
<b>Prepaid Private Works</b>		
Balance at beginning of reporting period	505,895	377,105
Amounts Received during reporting period	287,081	171,305
Amounts Paid during reporting period	(229,931)	(42,515)
<b>Balance at end of reporting period</b>	<b>563,045</b>	<b>505,895</b>
<b>Miscellaneous Trusts (Election Nomination, Rates and Charges, etc.)</b>		
Balance at beginning of reporting period	153,167	187,312
Amounts Received during reporting period	11,516	15,521
Amounts Paid during reporting period	(128,359)	(49,666)
<b>Balance at end of reporting period</b>	<b>36,324</b>	<b>153,167</b>
<b>Total Controlled Trust Items</b>	<b>2,644,201</b>	<b>2,491,548</b>

**(b) NON-CONTROLLED TRUST ITEMS**

Council has the custody of the following monies but not the capacity to deploy them in the pursuit of Council objectives. Council responsibility in respect of these monies is simply that of collecting agent. Accordingly, they are disclosed as non-controlled Trust items.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
<b>BCITF and Builders Registration Levy</b>		
Balance at beginning of reporting period	73,383	96,762
Amounts Received during reporting period	522,171	390,333
Amounts Paid during reporting period	(467,304)	(413,712)
<b>Balance at end of reporting period</b>	<b>128,250</b>	<b>73,383</b>
<b>Unclaimed Monies</b>		
Balance at beginning of reporting period	1,483	1,483
Amounts Received during reporting period	-	-
Amounts Paid during reporting period	(1,483)	-
<b>Balance at end of reporting period</b>	<b>(0)</b>	<b>1,483</b>
<b>Total Non-controlled Trust Items</b>	<b>128,250</b>	<b>74,866</b>

STATEMENT OF RATING INFORMATION

	CURRENT YEAR ACTUAL 2005/2006								CURRENT YEAR BUDGET 2005/2006									
	GENERAL RATE				MINIMUM RATE				TOTAL	GENERAL RATE				MINIMUM RATE				TOTAL
	No. of Prop.	Rateable value \$	Rate in \$ Cents	Rate Yield \$	No.	Minimums Rateable Value \$	Min. \$	Yield \$		No. of Prop.	Rateable value \$	Rate in \$ Cents	Rate Yield \$	No.	Minimums Rateable Value \$	Min. \$	Yield \$	
General Rate GRV																		
Residential	30,324	362,523,784	5.7300	20,771,979	6675	46,251,361	444.00	2,963,700	23,735,679	30,337	360,610,516	5.7300	20,662,983	6665	46,208,825	444.00	2,959,260	23,622,243
Commercial	1,215	127,110,100	5.7300	7,283,378	126	502,391	444.00	55,944	7,339,322	1,218	126,349,530	5.7300	7,239,828	126	502,391	444.00	55,944	7,295,772
Vacant Land - Res	1,223	21,153,667	7.4490	1,575,707	222	1,383,298	577.25	128,150	1,703,856	1,141	20,161,358	7.4490	1,501,820	219	1,364,868	577.25	126,418	1,628,237
Vacant Land - Comm	19	1,371,100	7.4490	102,133	18	61,200	577.25	10,391	112,523	19	1,371,100	7.4490	102,133	18	61,200	577.25	10,391	112,523
Non Rateable								306,750										
Rate Adjustment & Allowances								(74,084)										
Interim Rates								145,802										
Discount allowed								(756,787)										
<b>Sub-total ( Note 4 )</b>								<b>32,513,062</b>										
Instalment Admin Fee								107,595										
Interest on Late Payment								86,707										
Deferred Interest								48,344										
<b>GRAND TOTAL</b>	<b>32,781</b>	<b>512,158,651</b>		<b>29,733,197</b>	<b>7,041</b>	<b>48,198,250</b>		<b>3,158,184</b>	<b>32,755,708</b>	<b>32,715</b>	<b>508,492,504</b>		<b>29,506,763</b>	<b>7,028</b>	<b>48,137,284</b>		<b>3,152,012</b>	<b>32,383,907</b>

DIFFERENTIAL RATING

A differential loading of 30 per cent above the residential and commercial/industrial improved land is applied to residential and commercial/industrial unimproved land. This loading has not varied from last year. If differential rates were not imposed the rate in the dollar would be approximately 5.515 cents with a minimum rate of \$440.41. The rate is referred to as the standard rate.

The purpose of imposing a differential rate is to obtain a fair income from unimproved land within the municipal district. Utilisation of gross rental values for unimproved land means that the revenue generated is different to that which would be applicable under the unimproved valuation system. It is proposed that a minimum contribution of \$577.25 from unimproved land together with the established differential rate will provide an appropriate contribution towards the facilities provided by the City.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 15  
SERVICE CHARGES**

	Charge per Property	2006 Budget \$	2006 Actual \$	2005 Actual \$
Community Security Charges	\$36.60	1,469,796	1,495,793	1,487,212

**NOTE 16  
INFORMATION ABOUT DISCOUNTS, INCENTIVES, CONCESSIONS AND  
WRITE-OFFS**

**(a) Discounts**

	Discount	2006 Budget \$	2006 Actual \$	2005 Actual \$
<b>Rates</b>	<b>4%</b>	850,000	756,787	726,870

The discounts are allowed on all current year rates and charges including community security charges providing that all rates and charges including arrears are paid in full on or before the close of trade on the date specified on the rate notice.

**(b) Early Payment Incentive**

Ratepayers who qualify for the discount are also eligible to participate in a draw for the early payment incentive prizes subject to conditions given in the rate notice. All the prizes except the recreation facility passes were sponsored by various organisations.

**Prizes offered as early payment incentives**

1st Prize - Westpac Banking Corporation	\$ 3,000
City of Melville Recreation Facility Passes (6) - at Council Cost	<u>4,032</u>
<b>Total</b>	<u><u>7,032</u></u>

**(c) Concessions**

In accordance with the provisions of the *Rates and Charges (Rebates and Deferrals) Act 1992*, concessions are offered to eligible pensioners who may opt to either defer their rates or receive a percentage rebate off their rates.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 17**

**INFORMATION ABOUT INTEREST PAYMENTS AND ADDITIONAL CHARGES**

	<b>Interest</b>	<b>2006</b>	<b>2006</b>	<b>2005</b>
	<b>%Rate</b>	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Interest on Outstanding rates</b>	11	85,000	86,707	86,790

The interest was charged on the daily balance of all overdue rates and charges in accordance with the *Local Government Act 1995*. Where a ratepayer has not taken advantage of the instalment option given in the rate notice, the interest will begin to accrue on rates or charges that remain unpaid after 35 days from the issue date of original rate notice. Eligible pensioners are exempt.

Where a ratepayer has taken the instalment option, interest shall begin to accrue on any instalment that remains unpaid after the due date of the instalment and will continue until the instalment is paid.

The following three payment options were provided to the ratepayers.

**Option 1**

Full amount of the rate notice less 4 per cent discount payable by 05 August 2005

**Option 2**

Full amount of the rate notice payable by 19 August 2005

**Option 3**

Full amount of the rate notice payable in four equal instalments due on the following dates

1st Instalment	Due	19 August 2005
2nd Instalment	Due	19 October 2005
3rd Instalment	Due	19 December 2005
4th Instalment	Due	20 February 2006

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 18  
FEES AND CHARGES ATTRIBUTED BY PROGRAMME**

	<b>2006 Budget \$</b>	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
General Purpose Funding	40,000	102,112	52,859
Governance	97,680	279,627	156,800
Law, Order and Public Safety	665,050	215,321	226,520
Health	135,650	111,853	185,522
Education and Welfare	479,751	508,683	481,053
Housing	1,105,889	1,406,347	1,147,231
Community Amenities	8,068,716	8,312,459	7,837,229
Recreation and Culture	6,458,371	6,390,183	6,279,460
Transport	25,250	84,645	30,861
Economic Services	844,500	1,095,678	872,104
Other Property and Services	19,000	6,228	14,928
<b>Total</b>	<b>17,939,857</b>	<b>18,513,134</b>	<b>17,284,567</b>

**NOTE 19  
INVESTMENT REVENUE**

	<b>2006 Budget \$</b>	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
Interest Income - Reserve Funds	728,900	1,315,430	914,684
Interest Income - Other Funds	1,537,852	2,298,980	1,835,707
<b>Total Investment Revenue</b>	<b>2,266,752</b>	<b>3,614,410</b>	<b>2,750,391</b>

**NOTE 20  
INFORMATION ABOUT FEES, ETC. TO COUNCIL MEMBERS**

<b>Description</b>	<b>2006 Budget \$</b>	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
Sitting Fees - Mayor	14,000	14,333	12,000
Sitting Fees - Councillors	84,000	87,816	72,000
Conference and Training - Elected Members	47,500	38,657	26,855
Allowances - Mayor	50,000	32,807	26,948
Allowances - Councillors	44,000	49,254	35,148
<b>Total</b>	<b>239,500</b>	<b>222,868</b>	<b>172,951</b>

The above allowances consist of reimbursement of reasonable costs of travel, child minding, parking and tolls, telephone and/or facsimile rental, telephone calls home and mobile calls, and clothing apparel for personal presentation and incidental costs incurred by elected members.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 21  
CAPITAL COMMITMENTS**

The Council has the following capital expenditure commitments contracted for as at 30 June 2006.

	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
Beasley Road Leeming - Street Lighting	-	138,047
<b>Total</b>	-	<b>138,047</b>

**NOTE 22  
CONTINGENT LIABILITIES**

Council negotiates its Workers' Compensation Premium on a "burning cost" basis whereby a minimum and maximum premium are determined for workers' compensation and Council pays a deposit premium only with the actual premium being settled based on known and anticipated claims experience.

Therefore, Council may be required to fund an additional premium if the actual premium (as yet to be determined) exceeds the deposit premium already paid. Accordingly, a contingent liability is recognised for the difference between the deposit premium and the maximum premium payable.

	<b>2006 Actual \$</b>	<b>2005 Actual \$</b>
Contingent liability for additional Workers' Compensation Premium	436,450	345,172

**NOTE 23  
EMPLOYEE NUMBERS**

	<b>2006</b>	<b>2005</b>
The number of full-time equivalent employees at balance sheet date	454	452

**NOTE 24  
EMPLOYEE REMUNERATION DETAILS**

Number of employees of the Council, in bands of \$10,000, entitled to an annual salary of \$100,000 or more.

<b>Salary Range</b>	<b>2006 No: of Employees</b>	<b>2005 No: of Employees</b>
\$100,000 - \$109,999	0	3
\$110,000 - \$119,999	4	2
\$120,000 - \$129,999	0	0
\$130,000 - \$139,999	0	0
\$140,000 - \$149,999	0	0
\$150,000 - \$159,999	0	0
\$160,000 - \$169,999	0	0
\$170,000 - \$179,999	1	1

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 25  
INVESTMENT IN REGIONAL COUNCIL USING THE EQUITY METHOD**

The Council is a participant in the Canning Vale Regional Resource Recovery Centre (RRRC)

The RRRC is controlled by a regional local government established in accordance with the Local Government Act 1995. The regional local government, being the Southern Metropolitan Regional Council (SMRC), consists of seven local governments of which five are participants in the Canning Vale RRRC.

Participating Councils are required to contribute an annual fee to cover the capital cost in the establishment of the facility and pay gate fees for each tonne of waste they deliver to the facility to cover the operating costs. The capital costs for each participating member Council is based on the Australian Bureau of Statistics census of population statistics. Each project participant will develop equity in the project equal to the relevant proportion of the total capital loan repayments made by that project participant. The City of Melville's interest in the RRRC is 35.17 per cent.

The City of Melville has guaranteed, by way of agreement, its share of the Loan Liability to the SMRC and the Western Australian Treasury Corporation (funding body). The City of Melville's share of the outstanding loan liabilities of RRRC at 30 June 2006 is \$15,263,970 (unaudited)

	<b>2006</b>	<b>2005</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
	(unaudited)	
Council's share in the net assets of the SMRC (excluding Council's equity)	(1,771,821)	(219,281)
Equity Ratio	35.17%	35.35%

**NOTE 26**  
**PERFORMANCE MEASURES**

	<b>2006</b> <b>Actual</b> <b>\$</b>	<b>2005</b> <b>Actual</b> <b>\$</b>	<b>2004</b> <b>Actual</b> <b>\$</b>	<b>2003</b> <b>Actual</b> <b>\$</b>	<b>2002</b> <b>Actual</b> <b>\$</b>
<b>(a) Current Ratio</b>					
Current Assets / Current Liabilities					
Purpose: To assess the adequacy of working capital and the ability to satisfy obligations in the short term					
Current Assets	14,019,170	11,124,955	8,594,077	10,805,523	8,110,519
Current Liabilities	7,926,689	8,218,167	5,447,064	6,579,339	8,849,473
<b>Current Ratio</b>	<b>1.69:1</b>	<b>1.35:1</b>	<b>1.58:1</b>	<b>1.64:1</b>	<b>0.92:1</b>
<b>(b) Debt Ratio</b>					
Total Liabilities / Total Assets					
Purpose: To identify exposure to debt by measuring the proportion of assets funded by creditors					
Total Liabilities	18,309,349	17,864,234	14,112,773	15,809,155	17,510,682
Total Assets	335,111,395	329,951,624	321,235,710	316,340,152	318,964,226
<b>Debt Ratio %</b>	<b>5.46</b>	<b>5.41</b>	<b>4.39</b>	<b>5.00</b>	<b>5.49</b>
<b>(c) Debt Service Ratio</b>					
Debt Service Cost / Available Operating Revenue					
Purpose: To assess the degree to which revenues are committed to the repayment of debt					
Debt service cost	671,279	643,870	671,131	644,296	821,952
Available operating revenue	66,892,222	62,823,111	58,733,961	54,982,924	53,472,312
<b>Debt Service Ratio %</b>	<b>1.00</b>	<b>1.02</b>	<b>1.14</b>	<b>1.17</b>	<b>1.54</b>
<b>(d) Rate Coverage Ratio</b>					
Net Rate Revenue / Operating Revenue					
Purpose: To assess the degree of dependence upon revenue from rates					
Net rate revenue	32,748,739	31,186,651	29,392,528	28,133,569	28,765,857
Operating revenue	68,867,953	64,206,286	60,514,885	56,476,683	55,433,876
<b>Rate Coverage Ratio %</b>	<b>47.55</b>	<b>48.57</b>	<b>48.57</b>	<b>49.81</b>	<b>51.89</b>
<b>(e) Outstanding Rates Ratio</b>					
Rates Outstanding / rate Collectable					
Purpose: To assess the impact of uncollected rates on liquidity and the adequacy of recovery effort.					
Rates outstanding including deferred pensioner rates	3,345,788	3,023,736	2,803,055	4,161,278	3,521,668
Rates collectable	35,772,476	33,989,707	33,553,806	31,655,237	32,387,112
<b>Outstanding Rates Ratio %</b>	<b>9.35</b>	<b>8.90</b>	<b>8.35</b>	<b>13.15</b>	<b>10.87</b>
<b>(f) Gross Debt to Revenue Ratio</b>					
Gross Debt / Total revenue					
Purpose: To indicate what proportion of total revenue is available to repay the total debts					
Gross Debt	5,315,603	5,217,668	5,139,318	5,819,968	7,490,384
Total Revenue	67,025,415	62,823,111	58,733,961	54,982,925	53,564,247
<b>Gross Debt to Revenue Ratio %</b>	<b>7.93</b>	<b>8.31</b>	<b>8.75</b>	<b>10.59</b>	<b>13.98</b>
<b>(g) Untied Cash to Trade Creditors Ratio</b>					
Untied Cash / Trade creditors					
Purpose: To assess the sufficiency of cash available to honour the payments to creditors in time.					
Untied cash	9,757,044	7,361,635	1,028,672	(286,567)	(1,184,833)
Trade Creditors	5,356,133	5,709,240	2,884,114	3,899,872	4,639,947
<b>Untied Cash to Trade Creditors Ratio %</b>	<b>182.17</b>	<b>128.94</b>	<b>35.67</b>	<b>-7.35</b>	<b>-25.54</b>
<b>(h) Gross Debt to Economically Realisable Assets Ratio</b>					
Gross Debt / Economically Realisable Assets					
Purpose: To indicate the proportion of non- infrastructure assets financed through debt					
Gross Debt	5,315,603	5,217,668	5,139,318	5,819,968	7,490,384
Economically Realisable Assets	157,661,678	139,944,718	130,412,885	126,841,617	126,826,423
<b>Gross Debt to Economically Realisable Assets Ratio</b>	<b>3.37</b>	<b>3.73</b>	<b>3.94</b>	<b>4.59</b>	<b>5.91</b>

**NOTE 27**

**FINANCIAL INSTRUMENTS**

**Significant Accounting Policies**

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the accounts.

The following table details the Council's exposure to interest rate risk as at the reporting date.

	Average Interest Rate %	Variable Interest Rate \$	Fixed Interest Rate Maturity			Non Interest Bearing \$	Total \$
			Less than 1 Years \$	1 to 5 Years \$	More than 5 Years \$		
<b>2006 Financial Assets</b>							
Cash and Cash Equivalents	6.5	35,220,172					35,220,172
Trade Receivables						3,486,693	3,486,693
Other Receivables	5.5			318,301	4,997,302		5,315,603
Other Financial Interests						1,291,597	1,291,597
		<u>35,220,172</u>	<u>-</u>	<u>318,301</u>	<u>4,997,302</u>	<u>4,778,290</u>	<u>45,314,065</u>
<b>2006 Financial Liabilities</b>							
Trade Payables						8,323,617	8,323,617
Borrowings	5.5			318,301	4,997,302		5,315,603
		<u>-</u>	<u>-</u>	<u>318,301</u>	<u>4,997,302</u>	<u>8,323,617</u>	<u>13,639,220</u>
							-
<b>2005 Financial Assets</b>							
Cash and Cash Equivalents	6	32,894,966					32,894,966
Trade Receivables						3,226,078	3,226,078
Other Receivables				292,590	4,925,078		5,217,668
Other Financial Interests						1,073,632	1,073,632
		<u>32,894,966</u>	<u>-</u>	<u>292,590</u>	<u>4,925,078</u>	<u>4,299,710</u>	<u>42,412,344</u>
<b>2005 Financial Liabilities</b>							
Trade Payables						8,456,730	8,456,730
Borrowings	5.5			292,590	4,925,078		5,217,668
		<u>-</u>	<u>-</u>	<u>292,590</u>	<u>4,925,078</u>	<u>8,456,730</u>	<u>13,674,398</u>

**Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Council. The Council has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Council measures credit risk on a fair value basis.

**Net Fair Value**

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the accounts.

**NOTE 28**

**IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRSs)**

The adoption of AIFRSs has not resulted in any material adjustments of prior balance.

**1. Reconciliation of Equity at 1 July 2004**

There are no material differences between Equity in the opening Australian equivalents to IFRSs balance sheet and the equity presented in the 1 July 2004 Statement of Financial Position under previous GAAP.

**2. Reconciliation of Equity at 30 June 2005**

There are no material differences between Equity presented under Australian equivalents to IFRSs and the equity presented in the 30 June 2005 Statement of Financial Position.

**3. Reconciliation of Net Result for the year ended 30 June 2005**

There are no material differences between the operating surplus for the year ended 30 June 2005 presented under Australian equivalents to IFRSs and the operating surplus for the year ended 30 June 2005 presented under the previous GAAP.

**4. Explanation of Material Adjustments to the Cash Flow Statement**

There are no material differences between the Cash Flow Statement presented under Australian equivalents to IFRSs and the Cash Flow Statement presented under previous GAAP.