



City of  
**Melville**

# ANNUAL FINANCIAL REPORT 2010 - 2011



# Annual Financial Statements 2010-2011



**Statement by the Chief Executive Officer**

**Independent Audit Report**

**Management Representation Letter**

**Statement of Comprehensive Income by Nature or Type** 1

**Statement of Comprehensive Income by Program** 2

**Statement of Financial Position** 3

**Statement of Changes in Equity** 4

**Statement of Cash Flows** 5

**Rate Setting Statement** 7

**Notes to and forming part of the Financial Report** 8





**CITY OF MELVILLE**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2011**  
**LOCAL GOVERNMENT ACT 1995**  
**LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**  
**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<sup>th</sup> June 2011 are in my opinion properly drawn up to present fairly the financial position of the City of Melville at 30 June 2011 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.

**Dr Shayne Silcox**  
**CHIEF EXECUTIVE OFFICER**

**24<sup>th</sup> October 2011**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO: RATEPAYERS OF CITY OF MELVILLE**

We have audited the financial report of the City of Melville, which comprises the Statement of Financial Position as at 30 June 2011 and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year ended on that date and a summary of significant accounting policies and other explanatory notes.

#### **Council's Responsibility for the Financial Report**

Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's Responsibility**

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

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

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

#### **Independence**

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

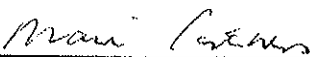
**Auditor's Opinion**


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

- (i) gives a true and fair view of the financial position of the City of Melville as at 30 June 2011 and of its financial performance for the year ended on that date; and
- (ii) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards (including the Australian Accounting Interpretations).

**Statutory Compliance**

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 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

  
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**MACRI PARTNERS**  
**CERTIFIED PRACTISING ACCOUNTANTS**  
**SUITE 2, 137 BURSWOOD ROAD**  
**BURSWOOD WA 6100**

  
\_\_\_\_\_  
**A MACRI**  
**PARTNER**

**PERTH**  
**DATED THIS 31<sup>st</sup> DAY OF OCTOBER 2011.**







## MANAGEMENT REPRESENTATION LETTER

Messrs Macri Partners  
Suite 2, 137 Burswood Road  
BURSWOOD WA 6100

Dear Sirs

This representation letter is provided in connection with your audit of the financial report of the City of Melville for the year ended 30 June 2011, for the purpose of you expressing an opinion as to whether the financial report is, in all material respects, presented fairly in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996).

We acknowledge our responsibility for ensuring that the financial report is in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and confirm that the financial report is free of material misstatements, including omissions.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. We have made available to you:
  - (a) all financial records and related data, other information, explanations and assistance necessary for the conduct of the audit; and
  - (b) Minutes of all meetings held by the Council.
2. There:
  - (a) Has been no fraud, error or non-compliance with laws and regulations involving management or employees who have a significant role in internal control;
  - (b) Has been no fraud, error or non-compliance with laws and regulations that could have a material effect on the financial report; and
  - (c) Have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial report.



3. We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error. We have established and maintained adequate internal control to facilitate the preparation of a reliable financial report, and adequate financial records have been maintained. There are no material transactions that have not been properly recorded in the accounting records underlying the financial report.
4. We believe the effects of those uncorrected financial report misstatements aggregated by the auditor during the audit are immaterial, both individually and in the aggregate, to the financial report taken as a whole.
5. We have no plans or intentions that may materially affect the carrying values, or classification, of assets and liabilities.
6. We have considered the requirements of [AASB 136: "Impairment of Assets"] when assessing the impairment of assets and in ensuring that no assets are stated in excess of their recoverable amount.
7. The following have been properly recorded and/or disclosed in the financial report:
  - (a) related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees (written or oral);
  - (b) compensating balances and line-of-credit or similar arrangements;
  - (c) agreements to repurchase assets previously sold;
  - (d) capital commitments, material liabilities, or contingent liabilities or assets including those arising under derivative financial instruments;
  - (e) unasserted claims or assessments that our lawyer has advised us are probable of assertion; and
  - (f) losses arising from the fulfilment of, or an inability to fulfil, any sale commitments or as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.
8. There are no violations or possible violations of laws or regulations which might result in the Council suffering significant penalties or other losses and whose effects should be considered for disclosure in the financial report or as a basis for recording an expense.
9. The Council has satisfactory title to all assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral. Allowances for depreciation have been adjusted for all important items of property, plant and equipment that have been abandoned or are otherwise unusable.





10. The Council has complied with all aspects of contractual agreements that would have a material effect on the financial report in the event of non-compliance.
11. There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the financial report.
12. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
13. The net book amounts at which the plant and equipment are stated in the Statement of Financial Position are arrived at:
  - (a) The additions to fixed asset accounts, as recorded in the books, represent the cost of additions or improvements to existing facilities or replacements thereof. All units of property which have been replaced, sold, dismantled or otherwise disposed of, or which are permanently unusable, have been removed from the fixed asset register. Adequate provision determined in a manner consistent with that of the preceding year has been made to write off depreciable assets over their useful lives. No circumstances have arisen which render adherence to the existing basis of depreciation misleading or inappropriate;
  - (b) All additions to fixed assets represent actual additions or improvements of a capital nature. No items of repairs and maintenance have been carried forward as fixed assets and no capital additions or improvements were charged to expenses;
  - (c) There are no deficiencies or encumbrances attaching to the title of the assets of the company other than those reflected in the financial report and these are not greater than the value of the asset;
  - (d) No Operating or Finance Lease commitments exist that have not been included in the financial report. All Operating Lease expenses have been disclosed in the notes to the Income Statement. Finance Leasing commitments have been included in the notes to the Statement of Financial Position.
14. The Council has an established procedure whereby an officer reviews at least annually the adequacy of insurance cover on all assets and insurable risks. This review has been performed, and where it is considered appropriate, assets and insurable risks of the association are adequately covered by insurance.

Adequate insurance is held to cover losses arising from fraud, loss of earnings, fire, flood or other reasonably insurable events in the next financial year.
15. Apart from the provision for impairment in receivables of \$ 78.840 provided in the financial report, we expect all outstanding trade debtors to be recoverable.





16. No events have occurred subsequent to the Statement of Financial Position date that would require adjustment to, or disclosure in, the financial report or which should be disclosed to members through some other medium.
17. The financial records of the City of Melville have been kept so as to be sufficient to enable a financial report to be prepared and audited, and other records and registers required by the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996 have been properly kept and are up-to-date.
18. Records maintained during the period were in accordance with the Australian Taxation Office requirements.
19. The results for the year were not materially affected by:
  - (a) Any change on the basis of accounting;
  - (b) Circumstances of significant nature;
  - (c) Charges or credits relating to prior years.
20. If the City of Melville intends to publish or reproduce, in printed form or electronically, your audit report together with the financial statements, or otherwise make reference to our firm in a document that contains other information, we agree to provide you with a draft of such document to read and obtain your written approval for inclusion of your report before the document is finalised and distributed. Where your report is reproduced in any medium the complete financial statements, including notes, will also be presented.

In the event that the audited financial statements and audit report are published on a website, the security and controls over information will be addressed by the City of Melville to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of audited financial information on the website is beyond the scope of the audit of the financial statements. Responsibility for the electronic presentation of the financial statements on the website is that of the management of the City of Melville.



We understand that your examination was made in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the financial report of the Council taken as a whole, and that your tests of the financial records and other auditing procedures were limited to those which you considered necessary for that purpose.

Yours Faithfully

**CHIEF EXECUTIVE OFFICER**

**NAME: Dr Shayne Silcox**

**DATE: 24<sup>th</sup> October 2011**



**CITY OF MELVILLE**  
**STATEMENT of COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

	Note	2010/11 Actual \$	2010/11 Budget \$	2009/10 Actual \$
<b>Revenue</b>				
Rates	14	51,236,145	51,375,500	43,367,005
Grants & Contributions	19	4,059,392	3,223,170	3,896,899
Fees & Charges	17	27,364,903	27,468,719	26,697,327
Service Charges	18	2,236,558	2,219,170	3,958,691
Investment Earnings	20	4,882,985	2,320,500	3,418,576
Other Revenue		2,200,609	1,730,771	2,368,536
		91,980,592	88,337,830	83,707,034
<b>Expenses</b>				
Employee Costs		(33,454,404)	(34,909,170)	(32,904,142)
Materials & Contracts		(22,999,510)	(25,336,577)	(21,601,595)
Utilities		(3,178,543)	(2,966,821)	(2,593,726)
Insurance		(1,172,970)	(1,385,937)	(1,055,303)
Depreciation	2(a)	(13,686,183)	(13,255,980)	(13,847,173)
Finance Costs	2(a)	(374,775)	(320,189)	(408,837)
Other Expenditure		(6,828,252)	(6,949,140)	(911,248)
		(81,694,637)	(85,123,814)	(73,322,024)
<b>Grants/Contributions for the Development of Assets</b>				
Grants and Contributions - non-operating	19	2,327,279	2,759,927	3,791,807
		2,327,279	2,759,927	3,791,807
<b>Profit / (Loss) on Disposal of Assets</b>	10			
Profit on Asset Disposals		138,417	475	45,361
Loss on Asset Disposals		(388,936)	-	(132,468)
		(250,520)	475	(87,107)
<b>Other Revenue / Expenses</b>				
Investments Gains / (Losses)	2(d)	88,369	-	1,448,851
Increase in Equity - SMRC Joint Venture	25	3,387,229	-	1,114,306
		3,475,598	-	2,563,157
<b>NET RESULT</b>		<b>15,838,314</b>	<b>5,974,418</b>	<b>16,652,866</b>
<b>Other Comprehensive Income</b>				
Changes on Revaluation of Non-Current Assets	10(d)	514,112	-	(7,378,033)
<b>Total Other Comprehensive Income</b>		514,112	-	(7,378,033)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>16,352,426</b>	<b>5,974,418</b>	<b>9,274,833</b>

This statement is to be read in conjunction with the accompanying notes.

**CITY OF MELVILLE**  
**STATEMENT of COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

	Note	2010/11 Actual \$	2010/11 Budget \$	2009/10 Actual \$
<b>Revenue</b>				
Governance		5,080,878	1,381,325	1,707,549
General Purpose Funding		56,614,737	56,855,000	50,260,551
Law, Order, Public Safety		2,425,353	2,383,836	4,173,185
Health		218,629	227,120	165,299
Education & Welfare		1,075,394	1,033,841	1,050,606
Housing		64,349	60,036	72,889
Community Amenities		15,289,792	14,910,850	14,640,027
Recreation and Culture		7,850,771	8,184,936	9,178,438
Transport		5,152,087	5,578,277	5,517,272
Other Property and Services		285,363	483,008	645,918
		94,057,352	91,098,230	87,411,734
<b>Expenses Excluding Finance Costs</b>				
Governance		(13,743,046)	(15,011,328)	(14,592,061)
General Purpose Funding		(4,918,033)	(5,025,000)	237,638
Law, Order, Public Safety		(3,745,054)	(3,497,119)	(4,516,646)
Health		(853,010)	(912,131)	(735,155)
Education & Welfare		(5,413,487)	(5,854,237)	(4,875,577)
Housing		(47,781)	(42,662)	(39,438)
Community Amenities		(17,032,776)	(17,809,560)	(14,876,980)
Recreation and Culture		(23,684,854)	(24,006,932)	(22,796,096)
Transport		(8,860,242)	(9,478,996)	(8,153,762)
Economic Services		(99,515)	(142,822)	(104,168)
Other Property and Services		(2,922,063)	(3,024,737)	(2,460,942)
		(81,319,862)	(84,805,523)	(72,913,187)
<b>Finance Costs</b>				
Recreation and Culture	2(a)	(374,775)	(318,289)	(408,837)
		(374,775)	(318,289)	(408,837)
<b>Other Revenue / Expenses</b>				
Investments Gains / (Losses)	2(d)	88,369	-	1,448,851
Increase in Equity - SMRC Joint Venture	25	3,387,229	-	1,114,306
		3,475,598	-	2,563,157
<b>NET RESULT</b>		<b>15,838,314</b>	<b>5,974,418</b>	<b>16,652,866</b>
<b>Other Comprehensive Income</b>				
Changes on Revaluation of Non-Current Assets	10(d)	514,112	-	(7,378,033)
<b>Total Other Comprehensive Income</b>		<b>514,112</b>	<b>-</b>	<b>(7,378,033)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>16,352,426</b>	<b>5,974,418</b>	<b>9,274,833</b>

This statement is to be read in conjunction with the accompanying notes.



**CITY OF MELVILLE  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2011**

	Note	2010/11 Actual \$	2009/10 Actual \$
<b>Current Assets</b>			
Cash & Cash Equivalents	4(a)	54,982,629	35,132,536
Investments	5	5,131,043	11,692,673
Trade & Other Receivables	6	4,772,013	6,651,028
Inventories	7(a)	157,747	120,872
Other Assets	7(b)	554,020	211,189
<b>Total Current Assets</b>		<b>65,597,452</b>	<b>53,808,298</b>
<b>Non Current Assets</b>			
Trade & Other Receivables	6	7,915,078	3,549,415
Property, Plant & Equipment	10(a)	221,434,698	317,814,823
Infrastructure	10(a)	271,582,633	176,472,780
Investment Property	10(b)	10,290,385	10,292,330
Work in Progress		1,062,470	207,466
Other Financial Assets	5	4,732,180	1,344,951
<b>Total Non Current Assets</b>		<b>517,017,443</b>	<b>509,681,765</b>
<b>TOTAL ASSETS</b>		<b>582,614,896</b>	<b>563,490,063</b>
<b>Current Liabilities</b>			
Trade & Other Payables	8	8,318,193	6,144,106
Provisions	9	4,605,842	4,411,173
Borrowings	11	283,938	1,824,378
<b>Total Current Liabilities</b>		<b>13,207,973</b>	<b>12,379,657</b>
<b>Non Current Liabilities</b>			
Trade & Other Payables	8	4,862,950	4,043,890
Borrowings	11	3,733,550	2,486,069
Provisions	9	532,280	654,729
<b>Total Non Current Liabilities</b>		<b>9,128,779</b>	<b>7,184,688</b>
<b>TOTAL LIABILITIES</b>		<b>22,336,753</b>	<b>19,564,344</b>
<b>NET ASSETS</b>		<b>560,278,145</b>	<b>543,925,719</b>
<b>Equity</b>			
Retained Surplus		235,845,749	229,625,758
Reserves - Cash / Investment Backed	12	62,302,734	52,684,412
Reserves - Asset Revaluation	12	262,129,662	261,615,549
<b>TOTAL EQUITY</b>		<b>560,278,145</b>	<b>543,925,719</b>

This statement is to be read in conjunction with the accompanying notes.

**CITY OF MELVILLE  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2011**

	Note	RETAINED SURPLUS \$	RESERVES CASH/INVEST BACKED \$	RESERVES ASSET REVALUATION \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2009</b>		<b>220,472,846</b>	<b>45,184,458</b>	<b>268,993,582</b>	<b>534,650,886</b>
Net Result		16,652,866	-	-	16,652,866
Total Other Comprehensive Income		-	-	(7,378,033)	(7,378,033)
Transfers (To)/From Reserves	12	(7,499,953)	7,499,953	-	-
<b>Balance as at 30 June 2010</b>		<b>229,625,759</b>	<b>52,684,411</b>	<b>261,615,549</b>	<b>543,925,719</b>
Net Result		15,838,314	-	-	15,838,314
Total Other Comprehensive Income		-	-	514,112	514,112
Transfers (To)/From Reserves	12	(9,618,323)	9,618,323	-	-
<b>Balance as at 30 June 2011</b>		<b>235,845,749</b>	<b>62,302,734</b>	<b>262,129,661</b>	<b>560,278,145</b>

This statement is to be read in conjunction with the accompanying notes.



**CITY OF MELVILLE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2011**

	Note	2010/11 Actual \$	2010/11 Budget \$	2009/10 Actual \$
<b>Cash Flows from Operating Activities</b>				
<b>Receipts</b>				
Rates		51,355,120	51,375,500	45,637,941
Fees and Charges		26,950,201	26,686,537	26,620,578
Service Charges		2,236,558	2,219,170	3,958,691
Interest Received		4,803,045	2,173,419	3,083,517
Grants, Subsidies, Contributions and Donations		4,059,392	3,223,170	3,896,899
Goods and Services Tax		2,415,799	-	4,130,987
Other		1,857,778	1,730,771	2,524,028
		93,677,893	87,408,567	89,852,641
<b>Payments</b>				
Employee Costs		(33,409,509)	(34,505,881)	(32,948,705)
Materials and Contracts		(21,024,758)	(26,948,469)	(22,190,000)
Utility Charges		(3,178,543)	(2,966,821)	(2,593,726)
Insurance Costs		(1,172,970)	(1,385,937)	(1,055,303)
Interest Paid		(1,039,996)	(475,743)	103,644
Goods and Services Tax		(1,819,738)	-	(4,451,637)
Other		(6,009,192)	(6,949,140)	(530,695)
		(67,654,706)	(73,231,991)	(63,666,422)
<b>Net Cash Provided by Operating Activities</b>	ii	<b>26,023,187</b>	<b>14,176,576</b>	<b>26,186,219</b>
<b>Cash Flows from Investing Activities</b>				
Proceeds from Sale of Property and Equipment		2,619,366	607,991	363,548
Grants and Contributions for Asset Development		2,327,279	2,759,927	3,791,807
Payments for Purchase of Property, Plant and Equipment		(3,720,807)	(11,266,906)	(4,593,733)
Payments for Construction/Acquisition of Infrastructure		(14,048,931)	(17,665,844)	(13,495,983)
<b>Net Cash Used in Investing Activities</b>		<b>(12,823,093)</b>	<b>(25,564,830)</b>	<b>(13,934,361)</b>
<b>Cash Flows from Financing Activities</b>				
Repayment of Self-Supporting Loan Principal		(292,957)	(360,239)	(307,274)
Self-Supporting Loan Principal Received		292,957	360,239	307,274
New Loan Proceeds		-	-	83,000
<b>Net Cash Provided by (Used In) Financing Activities</b>		<b>-</b>	<b>-</b>	<b>83,001</b>
<b>Net Increase / (Decrease) in Cash Held</b>		<b>13,200,094</b>	<b>(11,388,256)</b>	<b>12,334,859</b>
Cash at Beginning of Year		35,132,536	27,619,429	17,313,742
(Increase) / Decrease in Investments		6,649,999	-	5,483,934
<b>Cash and Cash Equivalents at the End of Year</b>	i	<b>54,982,629</b>	<b>16,231,171</b>	<b>35,132,536</b>

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

**CITY OF MELVILLE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2011**

<b>i. Reconciliation of Cash</b>		
For the purpose of preparing the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:		
	<b>2010/11 Actual \$</b>	<b>2009/10 Actual \$</b>
Cash and Cash Equivalents	54,982,629	35,132,536
<b>Net Cash at End of Year</b>	<b>54,982,629</b>	<b>35,132,536</b>
<b>ii. Reconciliation of Net Cash Provided by Operating Activities to Net Result</b>		
<b>Net Result</b>	<b>15,838,314</b>	<b>16,652,866</b>
<b>Add / (Less) Non-Cash / Non-Operating Items</b>		
Depreciation	13,686,183	13,847,173
(Profit)/Loss on Disposal of Assets	250,520	87,107
Grants & Contributions for the Development of Assets	(2,327,279)	(3,791,807)
Investments Unrealised (Gains) / Losses	(88,369)	(1,448,851)
Increase in Equity - SMRC Joint Venture	(3,387,229)	(1,114,306)
<b>Changes in Assets &amp; Liabilities During the Financial Year:</b>		
(Increase)/Decrease in Accrued Income	(79,940)	(335,058)
(Increase)/Decrease in Accrued Expenses	(27,324)	209,608
(Increase)/Decrease in Accrued Income Payable	(665,221)	512,482
(Increase)/Decrease in Current Receivables	1,958,956	413,303
(Increase)/Decrease in Non-Current Receivables	(1,365,663)	1,684,509
(Increase)/Decrease in Work in Progress	(855,005)	211,862
Increase/(Decrease) in Current Creditors	1,326,192	718,453
Increase/(Decrease) in Non-Current Creditors	2,066,542	(1,370,210)
(Increase)/Decrease in Inventory	(36,875)	7,770
Increase/(Decrease) in Provision for Employee Entitlements	72,220	(254,171)
(Increase)/Decrease in Prepayments	(342,831)	155,492
<b>Net Cash Provided by Operating Activities</b>	<b>26,023,187</b>	<b>26,186,219</b>

**CITY OF MELVILLE**  
**RATE SETTING STATEMENT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

	2010/11 Actual \$	2010/11 Budget \$	2009/10 Actual \$
<b>Revenues</b>			
Governance	5,080,878	1,380,850	1,707,549
General Purpose Funding	8,766,370	5,479,500	6,893,547
Law, Order, Public Safety	2,425,353	2,383,836	4,173,185
Health	218,629	227,120	165,299
Education & Welfare	1,075,394	1,033,841	1,050,606
Housing	64,349	60,036	72,889
Community Amenities	15,289,242	14,910,850	15,754,333
Recreation and Culture	7,850,771	8,184,936	9,178,438
Transport	5,152,087	5,578,277	5,517,272
Other Property and Services	285,363	483,487	645,918
	46,208,436	39,722,733	45,159,034
<b>Expenses</b>			
Governance	(13,743,046)	(15,011,328)	(14,592,061)
General Purpose Funding	(4,829,664)	(5,025,000)	1,686,489
Law, Order, Public Safety	(3,745,054)	(3,497,119)	(4,516,646)
Health	(853,010)	(912,131)	(735,155)
Education & Welfare	(5,413,487)	(5,854,237)	(4,875,577)
Housing	(47,781)	(42,662)	(39,438)
Community Amenities	(17,032,776)	(17,809,560)	(14,876,980)
Recreation and Culture	(24,059,629)	(24,325,221)	(23,204,934)
Transport	(8,860,242)	(9,478,996)	(8,153,762)
Economic Services	(99,515)	(142,822)	(104,168)
Other Property and Services	(2,922,063)	(3,024,740)	(2,460,942)
	(81,606,268)	(85,123,814)	(71,873,173)
<b>Adjustments for Cash Budget Requirements</b>			
<b>Non-Cash Revenue &amp; Expenditure</b>			
(Profit) / Loss on Asset Disposals	250,520	(475)	87,107
Depreciation on Assets	13,686,183	13,255,980	13,847,173
Plant Investment Provision	415,516	415,516	-
Investments Impaired / (Written Off)	(1,588,369)	-	(1,448,851)
Increase in Equity - SMRC Joint Venture	(3,387,229)	-	(1,114,306)
Movement in Deferred Rates	(118,181)	-	(66,255)
Movement in Non-Current Provisions	51,282	-	10,837
	9,309,721	13,671,021	11,315,705
<b>Capital Revenue &amp; Expenditure</b>			
Purchase of Furniture & Equipment	(818,198)	(1,456,100)	(1,745,344)
Purchase of Plant & Equipment	(1,569,721)	(2,577,306)	(1,302,284)
Purchase of Land & Buildings	(1,332,887)	(7,233,500)	(1,546,105)
Purchase of Infrastructure Assets	(14,638,181)	(17,665,844)	(13,495,983)
Proceeds from Disposal of Assets	5,619,366	607,991	363,548
Repayment of Debentures	(292,957)	(360,239)	(307,274)
Self-Supporting Loan Principal Revenue	292,957	360,245	307,274
Transfers TO Reserves	(16,599,346)	(5,575,000)	(12,999,285)
Transfers FROM Reserves	14,088,668	7,691,170	15,318,868
Carry Forward Reserve Transfers	(7,107,645)	-	(9,819,536)
	(22,357,944)	(26,208,583)	(25,226,121)
<b>ADD : Surplus/(Deficit) - July 1 B/Fwd</b>	4,585,133	6,563,145	1,842,681
<b>LESS : (Surplus)/Deficit - June 30 C/Fwd</b>	(7,375,224)	-	(4,585,133)
<b>Amount Required to be Raised from Rates</b>	<b>(51,236,145)</b>	<b>(51,375,500)</b>	<b>(43,367,007)</b>

This statement is to be read in conjunction with the accompanying notes.



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of Preparation**

The financial report is a general purpose financial statement which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the local Government Act 1995 and accompanying regulations.

The report has also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of the selected non-current assets, financial assets and liabilities.

**Critical Accounting Estimates**

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of this experience and other factors combine to form the basis of making judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

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

All funds through which the City controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between Funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 13 to these financial statements.

**(c) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, cash at bank, deposits held at call with banks, other short term highly liquid investments with original maturities of twelve months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

Bank overdrafts are shown as short term borrowings in current liabilities on the Statement of Financial Position.

**(d) Superannuation**

The City contributes to the Local Government Superannuation Scheme and to other Occupational Superannuation Funds. These funds are defined contribution schemes and the City has no further liability in respect of these funds.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(e) Goods and Services Tax**

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

**CITY OF MELVILLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Trades and Other Receivables**

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

**(g) Inventories**

**General**

Inventories are valued at the lower of cost or net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Land Held for Resale**

Land purchased for development and/or resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until Finance costs and holding charges incurred after development is completed are expensed.

Revenue arising from the sale of property is recognised in the operating statement as at the time of signing a binding contract of sale.

Land held for resale is classified as current except where it is held as non-current based on the City's intentions to release for sale.

**(h) Fixed Assets**

Each class of fixed assets is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

**Initial Recognition**

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

**Revaluation**

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

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

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

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Land Under Roads**

Acquired on or before 30 June 2008 -

The City has elected not to recognise the value of land under roads acquired on or before 30 June 2008 in accordance with AASB 1051.

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

In respect of land under roads acquired on or after 1 July 2008, as detailed above, Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

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

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

**Appreciation / Depreciation of Non-Current Assets**

All non-current assets having a limited useful life are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

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

Artworks	Not Depreciated
Buildings	40 - 80 Years
Buildings - Heritage	Not Depreciated
Buildings - Investment Properties	40 - 80 Years
Land	Not Depreciated
Land - Investment Properties	Not Depreciated
Computer Equipment	3 - 4 Years
Electronic Equipment	3 - 4 Years
Furniture and Fittings	10 Years
Lighting	10 Years
Playground Equipment	10 - 15 Years
Property Improvements	10 Years
Mobile Plant (Light & Heavy Fleet)	1 - 10 Years
Plant & Equipment	2 - 8 Years
Other Improvements	5 - 10 Years
Infrastructure:	
Drainage	80 Years
Footpaths	30 - 50 Years
Irrigation Systems	20 Years
Parks	Not Depreciated
Roads & Streets:	
Formation	Not Depreciated
Pavement	50 Years
Seal:	
Bituminous	20 Years
Asphalt	25 Years
Street Furniture	20 Years



**CITY OF MELVILLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

**(i) Financial Instruments**

***Initial Recognition and Measurement***

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

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

***Classification and Subsequent Measurement***

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

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

Amortised cost is calculated as:

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

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

***(i) Financial assets at fair value through profit and loss***

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

***(ii) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period (classified as non-current assets).

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

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments and fixed maturities that the City's management has the positive intention and ability to hold to maturity.

**CITY OF MELVILLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Held-to-maturity financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period (classified as current assets).

If the City were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

Available-for-sale financial assets, are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period (classified as current assets).

*(v) Financial liabilities*

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

**Impairment**

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

**(j) Estimation of Fair Value**

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The City uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

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

**(k) Impairment**

In accordance with Australian Accounting Standards the City's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired. Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with AASB 136 "Impairment of Assets" and appropriate adjustments made. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income. For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

**CITY OF MELVILLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(l) Trade and Other Payables**

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

**(m) Employee Benefits**

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

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

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

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

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows. Where the City does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

**(n) Borrowing Costs**

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

**(o) Provisions**

Provisions are recognised when:

- a) the City has a present legal or constructive obligation as a result of past events;
- b) for which it is probable that an outflow of economic benefits will result to settle the obligation; and
- c) that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Provisions are not recognised for future operating losses.

**(p) Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the City are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.



**CITY OF MELVILLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(q) Rates, Specified Area Rates, Grants, Donations and Other Contributions**

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 4(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.

**(r) Interest Rate Risk**

Information on interest rate risk as it applies to financial instruments is disclosed in Note 28.

**(s) Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to and forming part of the financial report.

**(t) Liquidity Risk**

The City's liquidity risk is managed via the use of its cash and cash equivalent balances, other financial assets and borrowing policy.

**(u) Interest in Joint Venture**

Interest in Joint Venture is accounted for by applying the equity method. Under this method of accounting interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the venturer's share of net assets of the jointly controlled entity. For further details, refer to Note 25.

**(v) Rounding Off Figures**

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

**(w) Comparative Figures**

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

**(x) Current and Non-Current Classification**

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if its expected to be settled within the next 12 months, being the City's operational cycle. In the case of liabilities where the City does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for resale where it is held as non-current based on the City's intentions to release for sale.

**(y) Budget Comparative Figures**

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

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(z) New Accounting Standards and Interpretations for Application in Future Periods**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2011.

The City's assessment of these new standards and interpretations is set out below

	<b>Title and Topic</b>	<b>Issued</b>	<b>Applicable (*)</b>	<b>Impact</b>
(i)	AASB 9 – Financial Instruments	December 2009	01 January 2013	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the City, it is not anticipated the standard will have any material effect.
(ii)	AASB 124 – Related Party Disclosures	December 2009	01 January 2011	Nil – It is not anticipated the City will have any related parties as defined by the Standard.
(iii)	AASB 1053 - Application of Tiers of Australian Accounting Standards	June 2010	01 July 2013	Nil - Due to its nature and statutory requirements the City will be deemed a Tier 1 entity and will continue to prepare general purpose financial statements.
(iv)	AASB 2009 -12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	December 2009	01 January 2011	Nil – The revisions embodied in this standard relate to standards which do not apply to local government (ie AASB8) or are largely editorial in nature and will have minimal effect (if any) on the accounting practices of the City.
(v)	AASB 2009– 11 Amendments to Australian Accounting Standards arising from AASB 9  [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	December 2009	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the City (refer (i) above).
(vi)	AASB 2010 - 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050, & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]	June 2010	01 July 2013	Nil - None of these amendments will have any effect on the financial report as the standard does not apply in the case of general purpose financial statements.
(vii)	AASB 2010 - 4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101, 134, and Interpretation 13]	June 2010	01 January 2011	Nil - The revisions are part of the AASB's annual improvement project to help ensure consistency with presentation, recognition and measurement criteria of IFRSs. It is not anticipated these will have any effect on the City.
	<b>Title and Topic</b>	<b>Issued</b>	<b>Applicable (*)</b>	<b>Impact</b>
(viii)	AASB 2010 - 5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	October 2010	01 January 2011	Nil - The revisions embodied in this standard are largely editorial in nature or relate to standards not applicable to the City and will have minimal effect (if any) on the accounting practices of the City.

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(z) New Accounting Standards and Interpretations for Application in Future Periods (Continued)**

	<b>Title and Topic</b>	<b>Issued</b>	<b>Applicable (*)</b>	<b>Impact</b>
(ix)	AASB 2010 - 6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 & 7]	November 2010	01 July 2011	Nil - The revisions embodied in this standard amend disclosures required on transfers of financial assets. The City is not expected to have any qualifying transfers.
(x)	AASB 2010 - 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	December 2010	01 January 2013	Nil - The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the City (refer (i) above).
(xi)	AASB 2010 - 8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 1 & 7]	December 2010	01 January 2012	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the City.
	AASB 2010 - 9 Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]	December 2010	01 July 2011	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the City.
	AASB 2009- 14 Amendments to Australian Interpretations - Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]	December 2009	01 January 2011	
	AASB 2010 - 10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters [AASB 2009 - 11 & 2010 - 7]	December 2010	01 January 2013	
	Notes: (*) Applicable to reporting periods commencing on or after the given date.			

**(z) Adoption of New and Revised Accounting Standards**

During the current year, Council adopted all of the new and revised Australian Accounting Standards and Interpretations which became mandatory and which were applicable to its operations. These new and revised standards were:

AASB 2009 - 5  
AASB 2009 - 8  
AASB 2009 - 10  
AASB 2009 - 13  
AASB 2010 - 1  
AASB 2010 - 3  
Interpretation 19

The standards adopted had a minimal effect on the accounting and reporting practices of the City as they were either largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

CITY OF MELVILLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2011

**2. OPERATING REVENUES AND EXPENSES**

**(a) Net Result:**

	2010/11 Actual \$	2010/11 Budget \$	2009/10 Actual \$
<b>(i) Charging as Expenses:</b>			
<b>Depreciation</b>			
<b><u>By Class</u></b>			
Infrastructure	6,027,187	5,581,239	5,615,489
Building	3,832,388	3,798,698	4,065,092
Mobile Plant	1,721,693	1,980,185	1,836,511
Plant & Equipment	1,316,109	1,209,509	1,225,001
Computer Equipment	545,831	431,550	845,922
Furniture & Fittings	242,974	254,799	259,158
	<b>13,686,183</b>	<b>13,255,980</b>	<b>13,847,173</b>
<b>Borrowing Costs Expense</b>	<b>374,775</b>	<b>318,289</b>	<b>408,837</b>
<b>Auditors Remuneration</b>	<b>24,780</b>	<b>25,000</b>	<b>19,750</b>
<b>Profit / (Loss) on Sale of Non-Current Assets</b>	<b>(250,520)</b>	<b>475</b>	<b>(87,107)</b>
<b>(ii) Crediting as Revenues</b>			
<b>Significant Revenue</b>			
General Purpose Funding*	88,369	-	1,448,851
Community Amenities <sup>#</sup>	3,387,229	-	1,114,306
This significant revenue relates to:			
*The appreciation in the face value of Council's investments (refer to Note 5 for further details)			
<sup>#</sup> The recognition of Council's interest in its Joint Venture with the SMRC (refer to Note 25 for further details)			
<b>Interest Earnings</b>			
<b><u>Investments</u></b>			
Reserve Funds	2,175,350	800,000	1,156,205
Other Funds	2,707,635	1,520,500	2,262,370
	<b>4,882,985</b>	<b>2,320,500</b>	<b>3,418,575</b>



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**3. DISCLOSURE REQUIREMENTS**

**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>Program Titles</b>	<b>Objectives/Activities Included Within the Program</b>
Governance	Members of Council Administration General Corporate Support Services Financial Services Information Technology & Information Services Management Services Employee Services Corporate Services Organisational Development
General Purpose Funding	Rates, general purpose government grants and interest revenue
Law, Order, Public Safety	Fire Prevention Animal Control Pound Maintenance Other Control Expenses Other Law, Order, Public Safety Emergency Services Community Security Services Neighbourhood Watch Supervision of Various By Laws
Health	Maternal and Infant Health Child Health Centres Preventive Services Immunisation Food Inspection Pest Control Other
Education & Welfare	Pre-School Pre-school Maintenance School Ground Maintenance School Prizes, Donations etc. Care of Families and Children Child Care Centres, Day Care Centres & Play Centres Aged & Disabled Senior Citizen Centres Meals on Wheels Service Community Bus - Disabled Persons Respite Workshop Family Support Program HACC Facility Maintenance Other Welfare Multicultural Program Social English Club Other

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**3. DISCLOSURE REQUIREMENTS (Continued)**

<b>Program Titles</b>	<b>Objectives/Activities Included Within the Program</b>
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 & Abandoned Vehicles Reserve Construction Town Planning & Regional Development Other Community Amenities
Recreation and Culture	Public Halls, Civic Centres Swimming Areas & Beaches Melville Aquatic Centre Foreshore Building & Area Maintenance Other Recreation & Sport Parks & Reserves Maintenance Leeming Recreation Centre Point Walter Golf Course Melville Recreation Centre Other Recreation and Sports Programs Libraries Other Culture Wireless Hill Museum Local Heritage Project Art Exhibition Community Arts Program Historical Projects Tourism & Area Promotion
Transport	Construction of Streets/Roads/Operations Centre(non-capitalised items) Maintenance Streets/Roads/Operations Centre Parking Facilities
Economic Services	Building Control Building Control - General Swimming Pool Inspection
Other Property and Services	Design Services Public Works Overheads Plant Operation Costs Unclassified

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**4. CASH and CASH EQUIVALENTS**

	<b>2010/11 Actual \$</b>	<b>2009/10 Actual \$</b>
<b>(a) Current Assets</b>		
Cash on Hand	7,350	8,300
Cash at Bank (Includes 11am at call accounts)	2,807,414	3,082,494
Term Deposits, Bonds & Floating Rate Term Deposits (Investments less than 12 months to maturity or where readily convertible into cash)	52,167,864	32,041,742
<b>Cash and Cash Equivalents</b>	<b>54,982,629</b>	<b>35,132,536</b>
Investments (Available for Sale )*See Note 5	<b>5,131,043</b>	<b>11,692,673</b>
	<b>60,113,671</b>	<b>46,825,210</b>
<b>Represented by</b>		
Restricted Funds	47,285,957	36,934,021
Unrestricted Funds *See Note 12 & Note 13	12,827,715	9,891,189
	<b>60,113,671</b>	<b>46,825,210</b>
<b>(b) Restricted Funds</b>		
The following restrictions have been imposed by regulations or other externally imposed requirements:		
<b>(a) Reserve Funds</b>	42,713,776	33,007,086
<b>(b) Restricted Funds</b>	4,572,181	3,926,935
<b>Total Restricted Funds</b> *See Note 12 & Note 13	<b>47,285,957</b>	<b>36,934,021</b>
<b>(c) 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>794,225</b>	<b>1,600,321</b>
Grants which were carried forward from last year and expended during the reporting year	<b>1,600,321</b>	<b>2,078,069</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**5. INVESTMENTS & NON-CURRENT ASSETS**

<b>Non-Current Assets</b>	<b>2010/11 Actual \$</b>	<b>2009/10 Actual \$</b>
Units (10) held in Local Government House	230,645	230,645
Equity - SMRC Joint Venture	4,501,535	1,114,306
<b>Total Other Financial Assets</b>	<b>4,732,180</b>	<b>1,344,951</b>

Investments are made in accordance with the Western Australian Trustees Act 1962, Local Government Act 1995, the Western Australian Trustees Amendment Act 1997 and the City's Investment Policy.

<b>Investments</b>	<b>2010/11 Actual \$</b>	<b>2009/10 Actual \$</b>
<b>Available For Sale - Financial Assets</b>	5,042,674	10,243,822
Appreciation/(Devaluation) to Income Statement	88,369	1,448,851
	<b>5,131,043</b>	<b>11,692,673</b>
<b>Available For Sale - Financial Assets</b>		
ADIs	3,460,825	8,827,335
CDOs	1,670,218	1,715,338
Capital Guaranteed Note	-	1,150,000
	<b>5,131,043</b>	<b>11,692,673</b>

Due to the absence of an active market for Collateralised Debt Obligation (CDO) investments and the ongoing uncertainty in financial markets in general, the City has chosen to continue to take a very conservative approach when valuing its CDO investments at 30 June 2011.

CDO valuations shown in the accounts are based on the lowest applicable valuation after comparing information obtained from Denison Financial Advisory (Council's current independent financial adviser), CPG Research & Advisory (Council's former independent financial adviser) and the values that were used as at 30 June 2009.

CDO valuations for June 2011 from Denison were based on valuations available as at 30 June 2011. They show that the City's CDO investment had a current market value of \$7,668,930 against a face value of \$19,720,000. Lehman Brothers arranged CDOs have experienced a slight increase over the past 12 months as heightened investor expectations of a favourable ruling in the courts grew, which will result in early termination and repayment.

Twenty credit events impacting the City's CDOs have now been recorded to date. This has resulted in a total loss of one CDO (Starts Cayman Blue Gum) with a face value of \$1,500,000 and the partial loss of approximately \$1,986,000 of three other CDOs (Corsair Cayman Torquay, Helium Capital Scarborough and Managed Aces Class Parkes IIA) with a face value of \$4,685,000.

Non Lehmann Brothers arranged CDOs continue to pay their coupon payments (albeit at a reduced level for those that have suffered partial loss as shown above) and this is expected to continue. Based on independent advice from Denison, the City's policy is to continue to hold these investments to maturity unless opportunities to sell at realistic values are presented.

The values ascribed to Authorised Deposit Taking Institutions (ADI) investments by Denison are based on current market evidence. The valuations do however assume that the City will be required to sell these investments prior to maturity. The City is however intends to hold the ADI investments to maturity, at which time it will receive the full face value for those investments.

To date, \$14 million of the City's original holding of \$17.5 million in ADIs have been repurchased at their full face value by the issuing banks. The City expects that the remainder of the ADIs will be repurchased by the issuing banks as they reach their call dates over the next 12 months.



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**6. TRADE AND OTHER RECEIVABLES**

		<b>2010/11 Actual \$</b>	<b>2009/10 Actual \$</b>
<b>Current</b>			
Rates Outstanding		2,315,586	2,552,742
Sundry Debtors	1,274,261		
Less: Provision for Bad and Doubtful Debts	(78,840)	1,195,420	780,718
Goods and Services Tax Refund		227,337	823,398
Accrued Income		749,732	669,792
Loans - Clubs and Community Groups		283,938	1,824,378
		<b>4,772,013</b>	<b>6,651,028</b>
<b>Non-Current</b>			
Sundry Debtors		3,000,000	-
Deferred Rates - Pensioners *		1,181,528	1,063,346
Loans - Clubs and Community Groups		3,733,550	2,486,069
* Amounts deferred by eligible pensioners in accordance with the Rates and Charges (Rebates and Deferments) Act 1992.		<b>7,915,079</b>	<b>3,549,415</b>

**7. INVENTORIES AND OTHER ASSETS**

	<b>2010/11 Actual \$</b>	<b>2009/10 Actual \$</b>
<b>(a) INVENTORIES</b>		
Fuel and Materials at Cost	157,747	120,872
	<b>157,747</b>	<b>120,872</b>
<b>(b) OTHER ASSETS</b>		
Prepayments (Prepaid Expenses)	554,020	211,189
	<b>554,020</b>	<b>211,189</b>

**8. TRADE AND OTHER PAYABLES**

	<b>2010/11 Actual \$</b>	<b>2009/10 Actual \$</b>
<b>Current</b>		
Creditors	6,642,545	3,775,914
Accrued Interest	82,014	97,623
Accrued Salaries and Wages	868,506	895,830
Amounts Received in Advance	725,127	1,374,739
	<b>8,318,193</b>	<b>6,144,106</b>
<b>Non-Current</b>		
Bonds/Deposits	4,572,181	3,926,935
Creditors	290,769	116,955
	<b>4,862,950</b>	<b>4,043,890</b>

**9. PROVISIONS**

	<b>2010/11 Actual \$</b>	<b>2009/10 Actual \$</b>
<b>Current</b>		
Provision for Annual Leave	2,232,802	2,039,646
Provision for Long Service Leave	2,373,039	2,371,527
	<b>4,605,842</b>	<b>4,411,173</b>
<b>Non-Current</b>		
Provision for Long Service Leave	532,280	480,998
Provision for Sick Leave	-	173,731
	<b>532,280</b>	<b>654,729</b>

CITY OF MELVILLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2011

**10. PROPERTY, PLANT and EQUIPMENT and INFRASTRUCTURE**

**(a) Property, Plant and Equipment and Infrastructure**

	2010/11 Actual \$	2009/10 Actual \$
<b>Land</b>		
At Management Valuation	116,382,973	208,424,863
<b>Closing Written Down Value</b>	<b>116,382,973</b>	<b>208,424,863</b>
<b>Buildings</b>		
At Management Valuation	120,896,658	119,813,017
less Accumulated Depreciation	(32,235,749)	(28,487,672)
<b>Closing Written Down Value</b>	<b>88,660,909</b>	<b>91,325,345</b>
<b>Plant and Equipment</b>		
At Cost	15,826,334	15,302,176
less Accumulated Depreciation	(7,740,107)	(6,439,050)
<b>Closing Written Down Value</b>	<b>8,086,227</b>	<b>8,863,126</b>
<b>Electronic Equipment</b>		
At Cost	559,562	563,054
less Accumulated Depreciation	(490,469)	(458,872)
<b>Closing Written Down Value</b>	<b>69,093</b>	<b>104,182</b>
<b>Furniture and Fittings</b>		
At Cost	3,466,262	3,463,014
less Accumulated Depreciation	(2,465,409)	(2,268,066)
<b>Closing Written Down Value</b>	<b>1,000,853</b>	<b>1,194,949</b>
<b>Computer Equipment</b>		
At Cost	5,157,975	4,768,115
less Accumulated Depreciation	(4,524,343)	(4,108,810)
<b>Closing Written Down Value</b>	<b>633,632</b>	<b>659,305</b>
<b>Property Improvements</b>		
At Management Valuation	1,375,523	1,375,523
less Accumulated Depreciation	(1,175,823)	(1,088,422)
<b>Closing Written Down Value</b>	<b>199,700</b>	<b>287,101</b>
<b>Mobile Plant</b>		
At cost	12,590,445	13,809,437
less Accumulated Depreciation	(6,851,478)	(7,641,187)
<b>Closing Written Down Value</b>	<b>5,738,967</b>	<b>6,168,250</b>
<b>Artworks</b>		
At Management Valuation	675,372	788,158
less Accumulated Depreciation	(13,029)	(455)
<b>Closing Written Down Value</b>	<b>662,343</b>	<b>787,702</b>
<b>Total Property, Plant and Equipment</b>		
At Cost or Management Valuation	276,931,104	368,307,357
less Accumulated Depreciation	(55,496,407)	(50,492,534)
<b>Closing Written Down Value</b>	<b>221,434,699</b>	<b>317,814,823</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**(a) Property, Plant and Equipment and Infrastructure (continued)**

	<b>2010/11 Actual \$</b>	<b>2009/10 Actual \$</b>
<b>Infrastructure - Roads</b>		
At Management Valuation	241,592,951	186,922,205
less Depreciation	(66,848,176)	(74,027,507)
<b>Closing Written Down Value</b>	<b>174,744,775</b>	<b>112,894,698</b>
<b>Infrastructure - Drains</b>		
At Management Valuation	114,714,782	46,991,895
less Depreciation	(61,776,525)	(17,218,499)
<b>Closing Written Down Value</b>	<b>52,938,257</b>	<b>29,773,396</b>
<b>Infrastructure - Footpath</b>		
At Management Valuation	48,192,097	37,008,962
less Depreciation	(15,879,366)	(18,283,515)
<b>Closing Written Down Value</b>	<b>32,312,731</b>	<b>18,725,447</b>
<b>Infrastructure - Parks</b>		
At Management Valuation	5,696,923	5,409,659
less Depreciation	(3,600,123)	-
<b>Closing Written Down Value</b>	<b>2,096,800</b>	<b>5,409,659</b>
<b>Infrastructure - Street Furniture</b>		
At Management Valuation	8,558,788	5,966,623
less Depreciation	(5,873,229)	(3,331,619)
<b>Closing Written Down Value</b>	<b>2,685,559</b>	<b>2,635,004</b>
<b>Infrastructure - Irrigation Systems</b>		
At Management Valuation	13,913,567	13,426,696
less Depreciation	(7,109,056)	(6,392,120)
<b>Closing Written Down Value</b>	<b>6,804,511</b>	<b>7,034,576</b>
<b>Total Infrastructure</b>		
At Cost or Management Valuation	432,669,108	295,726,040
less Accumulated Depreciation	(161,086,475)	(119,253,260)
<b>Closing Written Down Value</b>	<b>271,582,635</b>	<b>176,472,780</b>

**(b) Investment Property**

	<b>2010/11 Actual \$</b>	<b>2009/10 Actual \$</b>
<b>Investment Property : Land</b>		
Revaluation as at 30 June 2011	10,250,000	10,250,000
<b>Closing Written Down Value</b>	<b>10,250,000</b>	<b>10,250,000</b>
<b>Investment Property : Buildings</b>		
Revaluation as at 30 June 2011	345,000	345,000
less Accumulated Depreciation	(304,615)	(302,670)
<b>Closing Written Down Value</b>	<b>40,385</b>	<b>42,330</b>
<b>Total Investment Property</b>		
At Revaluation as at 30 June 2009	10,595,000	10,595,000
less Depreciation	(304,615)	(302,670)
<b>Closing Written Down Value</b>	<b>10,290,387</b>	<b>10,292,330</b>
<b>Total Property, Plant and Equipment and Infrastructure</b>		
At Revaluation as at 30 June 2009	720,195,212	674,628,397
less Depreciation	(216,887,497)	(170,048,465)
<b>Closing Written Down Value</b>	<b>503,307,717</b>	<b>504,579,933</b>

**Revaluation of Assets**

Infrastructure assets (roads, drains, footpaths, parks, irrigation and street furniture) 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. For 10/11 this has resulted in a net transfer to the asset revaluation reserve of \$86,450,789.

Artworks was also undertaken this year to ensure accuracy of the carrying value of the asset. For 09/10 this has resulted in a net transfer from the asset revaluation reserve of \$139,337.

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**Property, Plant and Equipment and Infrastructure (continued)**

**(c) Disposal of Assets**

	Net Book Value (\$)		Sale Proceeds (\$)		Profit / (Loss) (\$)	
	Actual	Budget	Actual	Budget	Actual	Budget
Artworks	3,288	-	-	-	(3,288)	-
Electronic Equipment	766	-	-	-	(766)	-
Land & Building	5,430,000	-	5,070,000	-	(360,000)	-
Mobile Plant and Vehicles	406,032	607,491	534,576	607,491	128,544	-
Plant & Equipment	9,505	-	-	-	(9,505)	-
Furniture & Fittings	19,704	-	4,327	-	(15,377)	-
Computer Equipment	590	25	10,463	500	9,873	475
<b>Total</b>	<b>5,869,885</b>	<b>607,516</b>	<b>5,619,366</b>	<b>607,991</b>	<b>(250,520)</b>	<b>475</b>

**(d) Summary of Asset Movements**

	Balance as at 01/07/2010	Additions	Disposals	Revaluations, Transfers & Adjustments	Depreciation	Balance as at 30/06/2011
Artworks	787,702	43,268	(16,325)	(139,337)	(12,965)	662,342
Buildings	91,325,346	1,095,376	-	70,631	(3,830,443)	88,660,909
Computer Equipment	659,305	464,478	(590)	(153)	(489,408)	633,632
Drains	29,773,396	396,891	-	23,354,842	(586,871)	52,938,257
Electronic Equipment	104,182	21,947	(766)	-	(56,270)	69,093
Footpath	18,725,447	1,243,342	-	13,082,543	(738,601)	32,312,731
Furniture & Fittings	1,194,949	71,169	(19,704)	(2,446)	(243,115)	1,000,853
Irrigation System	7,034,576	678,972	-	(238,769)	(670,268)	6,804,511
Land	208,424,863	(250,000)	(5,430,000)	(86,361,890)	-	116,382,973
Mobile Plant	6,168,250	1,689,740	(392,996)	(95,481)	(1,630,546)	5,738,967
Parks	5,409,659	3,336,028	-	(6,648,887)	-	2,096,800
Plant & Equipment	8,863,126	536,760	(9,505)	2,748	(1,306,901)	8,086,228
Property Improvement	287,102	-	-	-	(87,401)	199,701
Roads	112,894,698	9,025,733	-	56,558,720	(3,734,376)	174,744,775
Street Furniture	2,635,004	5,287	-	342,340	(297,071)	2,685,559
	<b>494,287,603</b>	<b>18,358,988</b>	<b>(5,869,885)</b>	<b>(75,138)</b>	<b>(13,684,237)</b>	<b>493,017,332</b>
Investment Property :						
Buildings	42,330	-	-	-	(1,945)	40,385
Land	10,250,000	-	-	-	-	10,250,000
	<b>10,292,330</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,945)</b>	<b>10,290,385</b>
	<b>504,579,933</b>	<b>18,358,988</b>	<b>(5,869,885)</b>	<b>(75,138)</b>	<b>(13,686,182)</b>	<b>503,307,717</b>



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**11. BORROWINGS**

	2010/11 Actual \$	2009/10 Actual \$
<b>Current</b>		
Borrowings - Current Portion	283,938	1,824,378
<b>Non-Current Loans</b>		
Borrowings - Non-Current Portion	3,733,550	2,486,069
<b>Total</b>	<b>4,017,489</b>	<b>4,310,447</b>

**(a) Details of Loan Liability**

Program / Sporting Body	Loan No	Principal 1 July 2010	(Loans Discharged) New Loans	Interest \$		Principal Repayment		Principal \$ 30 June 2011
				Budget	Actual	Budget	Actual	
<b>Recreation and Culture</b>								
Applecross Tennis Club	372	80,481		5,087	5,225	10,463	10,463	70,019
Kardinya Bowling Club	379	256,091		18,320	24,275	19,510	19,510	236,580
Melville Glades Golf Club	382	803,123		55,378	78,155	44,284	44,284	758,839
Melville Glades Golf Club	383	820,991	(801,591)	79,481	65,809	820,991	19,400	-
Blue Gum Park Tennis Club	392	24,080		1,171	1,171	24,080	24,080	-
Melville Glades Golf Club	393	754,921	(729,476)	62,320	53,587	754,921	25,445	-
Melville Bowling Club	394	63,446		3,887	4,513	12,578	12,578	50,868
Leeming Sport Association	398	194,378		11,955	15,138	10,080	10,080	184,298
Tompkins Park Community and Recreational Association	399	402,784		24,125	24,189	11,368	11,368	391,415
Melville Hockey Club	400	197,059		11,601	13,324	14,945	14,945	182,114
Leeming Bowling & Recreation Club	403	120,850		7,380	10,315	5,384	5,384	115,465
Mt Pleasant Bowling Club	404	243,466		13,039	16,703	39,057	39,057	204,408
Bull Creek Tennis Club	406	76,318		4,306	4,511	3,175	3,175	73,143
Mt Pleasant Bowling Club	407	106,822		7,477	9,446	18,442	18,442	88,380
Kardinya Bowling Club	408	92,518		5,672	5,991	7,953	7,953	84,565
Leeming Bowling & Recreation Club	409	53,120		2,373	2,845	20,486	20,486	32,634
Brentwood Booragoon Football Club	410	20,000			1,134		6,307	13,693
New Loans Raised								
<b>Melville Glades Golf Club (17.5 years @ 6.00%)</b>	411	-	1,531,067	-	38,445	-	-	1,531,067
- for the discharge of Loans 383 & 393 and refinanced with a new loan, for the redevelopment of the Golf Course and Carpark Loans taken out with WATC (Western Australia Treasury Corporation)								
<b>Total</b>		<b>4,310,447</b>	<b>-</b>	<b>313,572</b>	<b>374,775</b>	<b>1,817,717</b>	<b>292,957</b>	<b>4,017,489</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**12. RESERVES**

	2010/11 Actual \$	2010/11 Budget \$	2009/10 Actual \$
<b>Cash &amp; Investment Backed Reserves</b>			
<b>Applecross Underground Power and Streetscape Enhancement Reserve</b>			
To be used for underground power projects and streetscape enhancements in the suburb of Applecross.			
Opening Balance	73,919	-	71,756
Transfer to Reserve	-	-	-
Transfer to Reserve - Investment Earnings	3,354	-	2,163
Transfer from Reserve	-	-	-
	<b>77,273</b>	<b>-</b>	<b>73,919</b>
<b>Civic Centre Precinct Improvements Reserve</b>			
To be used for improvements to the buildings and associated landscaping and car parking located within the Civic Centre Precinct.			
Opening Balance	85,489	85,005	82,988
Transfer to Reserve	-	-	-
Transfer to Reserve - Investment Earnings	3,879	1,699	2,501
Transfer from Reserve	-	-	-
	<b>89,368</b>	<b>86,704</b>	<b>85,489</b>
<b>Commercial Refuse Reserve</b>			
To be used for the acquisition and replacement of commercial refuse bins, plant and equipment used for commercial waste operations and the development of commercial waste collection opportunities.			
Opening Balance	363,724	146,003	142,537
Transfer to Reserve	209,420	2,918	213,670
Transfer to Reserve - Investment Earnings	21,255	-	7,517
Transfer from Reserve	-	-	-
	<b>594,399</b>	<b>148,921</b>	<b>363,724</b>
<b>Community Facilities Reserve</b>			
To be used for the provision of new, renewed or upgraded community facilities owned by the City of Melville.			
Opening Balance	11,683,593	11,675,163	9,471,001
Transfer to Reserve	2,594,881	-	1,927,119
Transfer to Reserve - Investment Earnings	578,822	233,299	285,473
Transfer from Reserve	(448,892)	(4,522,000)	-
	<b>14,408,404</b>	<b>7,386,462</b>	<b>11,683,593</b>
<b>Community Surveillance &amp; Security Service Reserve</b>			
To temporarily retain any surpluses that may arise from the Property Surveillance and Security Service Charge to be used to offset future years Property Surveillance and Security Service Charges or for the purchase of plant and equipment used for community surveillance and security services.			
Opening Balance	775,537	306,714	213,326
Transfer to Reserve	-	-	585,967
Transfer to Reserve - Investment Earnings	26,914	6,129	15,261
Transfer from Reserve	(364,806)	(38,436)	(39,017)
	<b>437,645</b>	<b>274,407</b>	<b>775,537</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**12. RESERVES**

	2010/11 Actual \$	2010/11 Budget \$	2009/10 Actual \$
<b>Cash &amp; Investment Backed Reserves</b>			
<b>Information Technology Reserve</b>			
To be used to fund the acquisition and replacement of computer software and information technology hardware.			
Opening Balance	2,170,963	2,158,665	2,107,441
Transfer to Reserve	650,000	650,000	-
Transfer to Reserve - Investment Earnings	100,121	43,136	63,522
Transfer from Reserve	(578,794)	(954,100)	-
	2,342,290	1,897,701	2,170,963
<b>Land and Property Reserve</b>			
To be used to fund land and property purchases within the City of Melville.			
Opening Balance	9,707,871	10,111,983	8,017,032
Transfer to Reserve	7,051,612	1,405,000	1,879,798
Transfer to Reserve - Investment Earnings	600,469	202,063	291,776
Transfer from Reserve	-	-	(480,735)
	17,359,952	11,719,046	9,707,871
<b>Leave Entitlements Reserve</b>			
To be used to fund annual, sick and long service leave entitlements accrued in previous financial years.			
Opening Balance	1,591,899	1,582,882	1,545,320
Transfer to Reserve	-	-	-
Transfer to Reserve - Investment Earnings	72,231	31,630	46,579
Transfer from Reserve	-	-	-
	1,664,130	1,614,512	1,591,899
<b>Mount Pleasant Underground Power</b>			
To be used for underground power projects and streetscape enhancements in the suburb of Mount Pleasant.			
Opening Balance	-	-	-
Transfer to Reserve	-	-	698,741
Transfer to Reserve - Investment Earnings	-	-	-
Transfer from Reserve	-	-	(698,741)
	-	-	-
<b>Parking Facilities Reserve</b>			
To be used to fund the provision, refurbishment or improvement of parking facilities and equipment.			
Opening Balance	102,387	101,806	99,392
Transfer to Reserve	-	-	-
Transfer to Reserve - Investment Earnings	4,646	2,034	2,996
Transfer from Reserve	-	-	-
	107,033	103,840	102,387
<b>Plant Replacement Reserve</b>			
To be used to fund the purchase of replacement motor vehicles and plant, including waste collection trucks.			
Opening Balance	3,460,764	3,526,926	2,074,381
Transfer to Reserve	2,000,000	2,000,000	2,000,000
Transfer to Reserve - Investment Earnings	177,771	70,477	82,181
Transfer from Reserve	(1,085,762)	(1,843,694)	(695,798)
	4,552,773	3,753,709	3,460,764

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**12. RESERVES**

	2010/11 Actual \$	2010/11 Budget \$	2009/10 Actual \$
<b>Cash &amp; Investment Backed Reserves</b>			
<b>Public Open Space Reserve</b> To be used to fund the purchase, development and redevelopment of Public Open Space, Parks and Reserves.			
Opening Balance	1,859,625	2,636,162	2,241,650
Transfer to Reserve	478,388	450,000	900,304
Transfer to Reserve - Investment Earnings	95,232	52,677	60,892
Transfer from Reserve	-	-	(1,343,221)
	2,433,245	3,138,839	1,859,625
<b>Refuse Bins Reserve</b> To be used for the purchase and replacement of domestic refuse bins.			
Opening Balance	866,680	855,326	785,029
Transfer to Reserve	170,000	170,000	170,000
Transfer to Reserve - Investment Earnings	41,143	17,092	24,523
Transfer from Reserve	(89,875)	(120,000)	(112,872)
	987,948	922,418	866,680
<b>Refuse Facilities Reserve</b> To be used for payments relating to the establishment and operation of waste management facilities, funding associated costs and the cost of landscaping, environmental and rehabilitation works of former tip sites operated by the City of Melville.			
Opening Balance	4,284,959	2,978,659	2,907,977
Transfer to Reserve	-	-	1,270,188
Transfer to Reserve - Investment Earnings	189,867	59,521	106,794
Transfer from Reserve	(201,003)	(212,940)	-
	4,273,823	2,825,240	4,284,959
<b>Risk Management Reserve</b> To be used to fund prior years insurance premium contingencies, the self-insured element of insurance claims, risk reduction initiatives or projects and any losses arising from investment activities.			
Opening Balance	3,935,199	3,588,178	3,655,124
Transfer to Reserve	795,356	100,000	367,056
Transfer to Reserve - Investment Earnings	162,571	71,701	112,694
Transfer from Reserve	(1,500,000)	-	(199,675)
	3,393,126	3,759,879	3,935,199
<b>Infrastructure Asset Management Reserve</b> To be used to fund road and drainage asset management projects including the maintenance and renewal of the City of Melville's road network, kerbing, street furniture and drainage infrastructure.			
Opening Balance	1,902,264	281,484	1,555,150
Transfer to Reserve	474,339	-	1,830,237
Transfer to Reserve - Investment Earnings	97,075	5,625	51,333
Transfer from Reserve	-	-	(1,534,456)
	2,473,678	287,109	1,902,264

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**12. RESERVES**

	2010/11 Actual \$	2010/11 Budget \$	2009/10 Actual \$
<b>Cash &amp; Investment Backed Reserves</b>			
<b>Unexpended Capital Works and Specific Purpose Grants Reserve</b>			
To be used to carry forward available funding for uncompleted projects and specific purpose grants, that will be completed in ensuing financial years.			
Opening Balance	9,819,536	-	10,214,353
Transfer to Reserve	7,107,645	-	9,819,536
Transfer from Reserve	(9,819,536)	-	(10,214,353)
	7,107,645	-	9,819,536
<b>Summary Reserves</b>			
Opening Balance	52,684,410	40,034,958	45,184,459
Transfer to Reserve	21,531,641	4,777,918	21,662,616
Transfer to Reserve - Investment Earnings	2,175,350	797,083	1,156,205
Transfer from Reserve	(14,088,668)	(7,691,168)	(15,318,868)
	62,302,733	37,918,791	52,684,412
LESS : Investments (Impaired) / Written back			
2007/08	(10,295,749)	-	(10,295,749)
2008/09	(10,830,428)	-	(10,830,428)
2009/10	1,448,851	-	1,448,851
2010/11	88,369	-	-
<b>Net Reserves</b>	<b>42,713,776</b>	<b>37,918,791</b>	<b>33,007,086</b>

	2010/11 Actual \$	2010/11 Budget \$	2009/10 Actual \$
<b>Non-Cash Backed Reserves</b>			
<b>Asset Revaluation Reserve</b>			
Balance at beginning of reporting period	261,615,549	-	268,993,582
Revaluation of Assets	514,112	-	(7,378,033)
Balance at end of reporting period	262,129,661	-	261,615,549
<b>Total Non-Cash Backed-Reserves</b>	<b>262,129,661</b>	<b>-</b>	<b>261,615,549</b>
<b>Total Reserves</b>	<b>324,432,393</b>	<b>37,918,791</b>	<b>314,299,961</b>

**Reserves**

All of the above reserves are disclosed as restricted cash assets in Note 4(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 2011/12 net of new transfers are:

Unexpended Capital Works and Grants Reserve	\$ 7,107,645
Community Facilities (Melville Aquatic Fitness Centre)	\$ 4,073,108
Plant Replacement	\$ 2,068,817
Information Technology	\$ 1,011,800
Refuse Bins	\$ 150,000
Community Surveillance & Security Service	\$ 51,458
<b>Total</b>	<b>\$ 14,462,828</b>

Fair value of investments at balance date has resulted in a gain of \$88,369 (refer Note 5), of which \$39,175 is realised. This had the effect of Reserves falling short of being cash backed by the unrealised loss of \$19,588,957. The recognition of the unrealised losses may only occur at such time as the individual investments are sold or default and maybe at a different amount from that disclosed above.

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**13. RESTRICTED FUNDS AND TRUST ITEMS**

**(a) RESTRICTED FUNDS**

Restricted Funds over which the City has the capacity to determine the final deployment are included in the financial report for the period. As at the end of this period, the classes of Restricted Funds controlled by the City were:

	2010/11 Actual \$	2009/10 Actual \$
<b>Deposits Held</b>		
Balance at beginning of reporting period	3,039,961	2,747,218
Amounts Received during reporting period	1,965,740	807,137
Amounts Paid during reporting period	(812,621)	(514,394)
<b>Balance at end of reporting period</b>	<b>4,193,080</b>	<b>3,039,961</b>
<b>Retention Monies</b>		
Balance at beginning of reporting period	39,471	36,036
Amounts Received during reporting period	-	3,435
Amounts Paid during reporting period	(39,471)	-
<b>Balance at end of reporting period</b>	<b>-</b>	<b>39,471</b>
<b>Prepaid Private Works</b>		
Balance at beginning of reporting period	352,964	352,964
Amounts Received during reporting period	-	-
Amounts Paid during reporting period	-	-
<b>Balance at end of reporting period</b>	<b>352,964</b>	<b>352,964</b>
<b>Miscellaneous Trusts (Election Nomination, Rates and Charges, etc.)</b>		
Balance at beginning of reporting period	32,211	31,211
Amounts Received during reporting period	5,000	1,000
Amounts Paid during reporting period	(11,074)	-
<b>Balance at end of reporting period</b>	<b>26,137</b>	<b>32,211</b>
<b>Total Controlled Trust Items</b>	<b>4,572,181</b>	<b>3,464,607</b>

**13. RESTRICTED FUNDS AND TRUST ITEMS (continued)**

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

The City has the custody of the following monies but not the capacity to deploy them in the pursuit of the City's objectives. The City's responsibility in respect of these monies is simply that of collecting agent. Accordingly, they are disclosed as non-controlled Trust items and are not shown in the Statement of Financial Position.

	2010/11 Actual \$	2009/10 Actual \$
<b>BCITF and Builders Registration Levy</b>		
Balance at beginning of reporting period	462,328	388,096
Amounts Received during reporting period	590,180	588,093
Amounts Paid during reporting period	(796,145)	(513,861)
<b>Balance at end of reporting period</b>	<b>256,364</b>	<b>462,328</b>
<b>Total Non-controlled Trust Items</b>	<b>256,364</b>	<b>462,328</b>
<b>Total Restricted Funds</b>	<b>4,828,545</b>	<b>3,926,935</b>



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**14. STATEMENT OF RATING INFORMATION**

**STATEMENT OF RATING INFORMATION**

	CURRENT YEAR ACTUAL 2010/2011									CURRENT YEAR BUDGET 2010/2011									
	GENERAL RATE				MINIMUM RATE					GENERAL RATE				MINIMUM RATE					
	No. of Prop.	Rateable value \$	Rate in \$ Cents	Rate Yield \$	No.	Minimums Rateable Value \$	Min. \$	Yield \$	TOTAL \$	No. of Prop.	Rateable value \$	Rate in \$ Cents	Rate Yield \$	No.	Minimums Rateable Value \$	Min. \$	Yield \$	TOTAL \$	
General Rate GRV	32,310	502,009,367	6.11950	30,724,274	6,259	53,896,332	600.00	3,755,400	34,479,674	32,357	502,875,171	6.11950	30,736,172	6,289	54,150,924	600.00	3,773,400	34,509,572	
Residential - Improved	1,019	31,788,842	4.89560	1,555,300	121	1,031,370	610.00	73,810	1,629,110	1,033	31,933,342	4.89560	1,563,303	124	1,069,120	610.00	75,640	1,638,943	
Residential - Unimproved	33,329	533,798,209		32,279,574	6,380	54,927,702		3,829,210	36,108,784	33,390	534,808,513		32,299,475	6,413	55,220,044		3,849,040	36,148,515	
Commercial - Improved	1,285	161,351,418	6.42550	10,367,604	170	1,025,452	630.00	91,350	10,458,954	1,276	160,893,211	6.42550	10,338,162	170	1,025,452	630.00	91,350	10,429,512	
Commercial - Unimproved	10	441,814	6.42550	28,388	2	12,850	630.00	1,260	29,648	10	441,814	6.42550	28,389	2	12,850	630.00	1,260	29,649	
	1,295	161,793,232		10,395,992	172	1,038,302		92,610	10,488,602	1,286	161,335,025		10,366,551	172	1,038,302		92,610	10,459,161	
									46,597,386									46,607,676	
Rate Adjustments									(104)									15,000	
Interim Rates									287,833									250,000	
Sub Total General Rate									46,885,115									46,872,676	
Specified Area Rate (Underground Power)	2,084	36,546,025	13.3000	4,456,424					4,351,030	2,020	36,622,213	13.3000	4,502,824					4,502,824	
GRAND TOTAL	36,708	732,137,466		47,131,990	6,552	55,966,004		3,921,820	51,236,145	36,696	732,765,751		47,168,850	6,585	56,258,346		3,941,650	51,375,500	
	Current Year Actual 2010/2011									Current Year Budget 2010/2011									
Property Type	Rate Assessments		Rateable Value		Rate Yield		Property Type		Rate Assessments		Rateable Value		Rate Yield						
	#	%	\$	%	\$	%		#	%	\$	%	\$	%						
Residential	39,709	96.44%	588,725,911	78.33%	36,108,784	77.49%	Residential	39,803	96.47%	590,028,557	78.42%	36,148,515	77.56%						
Commercial	1,467	3.56%	162,831,534	21.67%	10,488,602	22.51%	Commercial	1,458	3.53%	162,373,327	21.58%	10,459,161	22.44%						
	41,176	100.00%	\$751,557,445	100.00%	\$46,597,386	100.00%		41,261	100.00%	\$752,401,884	100.00%	\$46,607,676	100.00%						

**DIFFERENTIAL RATING**

A differential discount of 20 per cent above the residential improved land rate was applied to residential unimproved (vacant) land. This discount compares to a discount of 22% in the previous year. A differential loading of 5 per cent below the residential improved land rate was applied to commercial land. If the differential rates were not imposed, the rate in the dollar would be approximately 6.1341 cents with a minimum rate of \$599.00. This rate is referred to as the standard rate.

The Valuation of Land Act 1978 stipulates that for unimproved land the method by which the Gross Rental Value is calculated is to be 5% of the unimproved value of the land. When applied to high value residential land this results in the revenue generated from unimproved residential land being substantially higher than if the same vacant land was improved to its highest and best use under the applicable Town Planning Scheme provisions. The resulting difference in rate revenue is not considered to result in a fair and equitable distribution of the revenue burden as between the two different classes of residential land. The purpose of imposing a differential rate on residential vacant land is to obtain a fair income from unimproved residential land within the Municipal district. The purpose of imposing a differential rate on commercial/industrial improved land is to fund the additional costs of servicing these types of properties. Commercial premises generate higher volumes of pedestrian and traffic movements than residential properties and this results in increased road and streetscape maintenance requirements, additional on-street parking needs and the requirement to install additional traffic treatments.

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**15. INFORMATION ABOUT DISCOUNTS, INCENTIVES, CONCESSIONS AND WRITE-OFFS**

**(a) Discounts**

Eligible pensioners received a \$40 discount on the residential refuse bin charge. Eligible pensioners and seniors also receive various other discounts on fees and charges for the City's Recreation facilities.

**(b) Early Payment Incentive**

Ratepayers who pay their full rate notice balance by the early payment date are eligible to participate in a draw for the early payment incentive prizes, subject to conditions given in the rate notice. All prizes were sponsored by various organisations.

**Prizes offered as early payment incentives**

Major Prize - Westpac Banking Corporation Bonus Saver Account

	\$
	<b>3,000</b>
<b>Total</b>	<b>3,000</b>

**(c) Concessions**

A concession was granted to strata titled storage units of 18m<sup>2</sup> or smaller, whereby the minimum rate charged was \$315.00. The value of this concession was \$15,750.

A 100% concession from General Rates was granted to the Melville Glades Golf Club. The value of this concession was \$13,300.

**16. INFORMATION ABOUT INTEREST PAYMENTS AND ADDITIONAL CHARGES**

	Interest Rate %	2010/11 Actual \$	2010/11 Budget \$	2009/10 Actual \$
<b>Interest on Outstanding rates</b>	11	202,417	220,000	225,025

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 payable by 16 August 2010 to qualify for the early payment incentive prizes.

**Option 2** - Full amount of the rate notice payable by 30 August 2010.

**Option 3** - Full amount of the rate notice payable in four equal instalments due on the following dates.

1st Instalment	Due	30 August 2010
2nd Instalment	Due	5 November 2010
3rd Instalment	Due	10 January 2011
4th Instalment	Due	17 March 2011

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**17. FEES & CHARGES**

<b>Program</b>	<b>2010/11 Actual \$</b>	<b>2010/11 Budget \$</b>	<b>2009/10 Actual \$</b>
Governance	45,979	25,038	25,514
Law, Order and Public Safety	752,152	879,850	948,068
Health	202,380	173,720	119,933
Education and Welfare	331,589	350,000	334,137
Housing	70,124	65,473	81,779
Community Amenities	16,074,923	16,278,490	15,366,852
Recreation and Culture	7,373,447	7,444,350	7,492,569
Transport	194,416	161,998	359,767
Economic Services	2,319,893	2,089,800	1,968,710
<b>Total</b>	<b>27,364,903</b>	<b>27,468,719</b>	<b>26,697,327</b>

**18. SERVICE CHARGES**

Section 6.38 of the Local Government Act 1995 allows Council to impose service charges on owners or occupiers to meet the costs of providing a prescribed service in relation to the land. Section 54 of the Local Government (Financial Management) Regulations 1996 prescribes the provision of a security services as an allowable service charge.

<b>Community Security</b>	<b>2010/11 Actual \$</b>	<b>2010/11 Budget \$</b>	<b>2009/10 Actual \$</b>
<b>OPERATING INCOME</b>			
Call Out/Alarm Response Fees	5,433	15,000	29,809
City of Cockburn Security Patrol Fees	-	-	1,970,626
City of Melville Security Patrol Fees (\$48.50 per property 10/11)	1,998,912	1,987,965	1,815,235
Other Security Fees	280	600	-
Recoverable Works	14,892	-	297
<b>Total Operating Income</b>	<b>2,019,517</b>	<b>2,003,565</b>	<b>3,815,967</b>
<b>OPERATING EXPENDITURE</b>			
Employee Costs	(1,498,463)	(1,439,976)	(2,319,889)
Internal Allocations	(554,396)	(552,875)	(848,273)
Internal Recovery	30,146	23,450	36,876
Materials & Contracts	(38,855)	(70,600)	(62,310)
Other Expenditure	(322,755)	(2,000)	(36,404)
Transfer (TO)/FROM Reserves	364,806	38,436	(585,967)
<b>Total Operating Expenditure</b>	<b>(2,019,517)</b>	<b>(2,003,565)</b>	<b>(3,815,967)</b>
<b>Net Community Security - Surplus / (Deficit) *</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* Surplus funds are transferred to the Community Security Reserve to be used to offset future expenditure.  
This may include the costs incurred to replace security vehicles.

<b>Swimming Pool Inspections</b>	<b>2010/11 Actual \$</b>	<b>2010/11 Budget \$</b>	<b>2009/10 Actual \$</b>
<b>OPERATING INCOME</b>			
Building Application Fees	12,628	10,000	12,440
Swimming Pool Inspection Fees	204,413	205,605	130,284
<b>Total Operating Income</b>	<b>217,041</b>	<b>215,605</b>	<b>142,724</b>
<b>OPERATING EXPENDITURE</b>			
Employee Costs	(62,597)	(66,640)	(97,826)
Internal Allocations	(106,685)	(106,685)	(66,791)
Materials & Contracts	(15,387)	(50,225)	(3,615)
Other Expenditure	-	7,944	-
<b>Total Operating Expenditure</b>	<b>(184,671)</b>	<b>(215,605)</b>	<b>(168,232)</b>
<b>Net Swimming Pool - Surplus / (Deficit) *</b>	<b>32,372</b>	<b>-</b>	<b>(25,508)</b>

\* Surplus funds are transferred to the Unexpended Capital Works and Specific Purpose Grants Reserve to be used to offset future expenditure.

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**19. GRANT REVENUE**

Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive income.

<b>By Nature or Type:</b>	<b>2010/11 Actual \$</b>	<b>2010/11 Budget \$</b>	<b>2009/10 Actual \$</b>
Operating Grants, Subsidies and Contributions	4,059,392	3,223,170	3,896,899
Non-Operating Grants, Subsidies and Contributions	2,327,279	2,759,927	3,791,807
	<b>6,386,671</b>	<b>5,983,097</b>	<b>7,688,706</b>

<b>By Program:</b>	<b>2010/11 Actual \$</b>	<b>2010/11 Budget \$</b>	<b>2009/10 Actual \$</b>
Governance	57,442	14,000	15,878
General Purpose Funding	3,022,324	2,344,000	2,823,971
Law, Order, Public Safety	81,486	40,366	72,475
Health	9,916	47,000	39,091
Education & Welfare	605,820	562,335	586,272
Recreation and Culture	155,603	612,640	1,559,258
Transport	2,454,079	2,362,756	2,447,761
Other Property and Services	-	-	144,000
	<b>6,386,671</b>	<b>5,983,097</b>	<b>7,688,706</b>

**20. INVESTMENT REVENUE**

<b>Fund</b>	<b>2010/11 Actual \$</b>	<b>2010/11 Budget \$</b>	<b>2009/10 Actual \$</b>
Interest Income - Reserve Funds	2,175,350	800,000	1,156,205
Interest Income - Other Funds	2,707,635	1,520,500	2,262,371
<b>Total Investment Revenue</b>	<b>4,882,985</b>	<b>2,320,500</b>	<b>3,418,577</b>

**21. INFORMATION ABOUT FEES, ETC. TO COUNCIL MEMBERS**

<b>Description</b>	<b>2010/11 Actual \$</b>	<b>2010/11 Budget \$</b>	<b>2009/10 Actual \$</b>
Sitting Fees - Mayor	14,000	14,000	14,000
Sitting Fees - Councillors	84,000	84,000	81,666
Conference and Training - Elected Members	20,488	58,500	9,174
Allowances - Mayor	60,000	60,000	60,000
Allowances - Deputy Mayor	15,000	15,000	15,000
Allowances - Councillors	76,707	100,100	68,821
<b>Total</b>	<b>270,195</b>	<b>331,600</b>	<b>248,661</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.

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**22. CONTINGENT LIABILITIES**

The City negotiates its Workers' Compensation Premium on a "burning cost" basis whereby a minimum and maximum premium are determined for workers' compensation and the City pays a deposit premium only with the actual premium being settled based on known and anticipated claims experience. Therefore, the City 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>2010/11</b>	<b>2009/10</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Contingent liability for additional Workers' Compensation Premium	3,218,052	2,568,834

Note sufficient funds for the payment of this contingent liability are held in the Risk Management Reserve.

**23. EMPLOYEE NUMBERS**

	<b>2010/11</b>	<b>2009/10</b>
	<b>No. of</b>	<b>No. of</b>
	<b>Employees</b>	<b>Employees</b>
The number of full-time equivalent employees at balance sheet date	485	487

**24. EMPLOYEE REMUNERATION DETAILS**

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

<b>Salary Range</b>	<b>2010/11</b>	<b>2009/10</b>
	<b>No. of</b>	<b>No. of</b>
	<b>Employees</b>	<b>Employees</b>
\$100,000 - \$109,999	0	2
\$110,000 - \$119,999	8	8
\$120,000 - \$129,999	6	2
\$130,000 - \$139,999	1	3
\$140,000 - \$149,999	2	0
\$150,000 - \$159,999	2	0
\$160,000 - \$169,999	0	0
\$170,000 - \$179,999	0	0
\$180,000 - \$189,999	0	0
\$190,000 - \$199,999	0	0
\$200,000 - \$209,999	0	0
\$210,000 - \$219,999	0	1
\$220,000 - \$229,999	0	0
\$230,000 - \$239,000	1	0

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

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

The City 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 six local governments of which four are participants in the Canning Vale RRRC.

Participating Local Governments 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 Local Government member 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 33.66 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 2011 is \$16,135,127 (unaudited).

The City of Canning withdrew from the SMRC effective 1 July 2010. As a result this has lead to a substantial increase in the City of Melville's share of its net assets.

	<b>2010/11</b>	<b>2009/10</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
	(unaudited)	(audited)
The City's share in the net assets of the SMRC (excluding equity)	4,501,535	1,341,820
Equity Ratio	38.09%	33.66%

Represented by Share of Joint Venture entity's Financial Position:

Current Assets	12,399,925	8,220,746
Non Current Assets	29,004,722	30,514,152
<b>Total Assets</b>	<b>41,404,647</b>	<b>38,734,898</b>
Current Liabilities	6,393,159	2,925,948
Non Current Liabilities	13,828,706	16,754,112
<b>Total Liabilities</b>	<b>20,221,865</b>	<b>19,680,060</b>
LESS: City of Melville's Loan Liability	16,681,247	17,713,018
<b>Net Assets</b>	<b>4,501,535</b>	<b>1,341,820</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**26. MAJOR LAND TRANSACTIONS**

**Details - Lot 5 Conon Road, Applecross & 18 Hassell Crescent, Bull Creek**

In November 1992 the Council resolved to transfer these two parcels of land to the City of Melville Aged Persons Trust, free of consideration but with the Trust meeting all transfer costs. Should the Trust ever be wound up, either voluntarily or otherwise then the assets of the Trust would revert to the City of Melville. The City was originally dealing with the City of Melville Aged Persons' Trust which has subsequently changed its name to Alchera Living on 1 February 2008. The original motion from 1992 was therefore rescinded, which permitted the Council to deal with the sale of the land.

<b>Current Year Transactions</b>		<b>2010/11 Actual \$</b>	<b>2010/11 Budget \$</b>	<b>2009/10 Actual \$</b>
<b>Lot 5 Conon Road, Applecross</b>				
Operating Expenditure				
Selling Costs		(6,069)	-	-
Capital Income				
Sale Proceeds		1,875,000	-	-
Capital Expenditure				
Net Book Value		(2,000,000)	-	-
<b>Profit / (Loss) on Sale</b>		<b>(131,069)</b>	<b>-</b>	<b>-</b>
<b>18 Hassell Crescent, Bull Creek</b>				
Operating Expenditure				
Selling Costs		(8,496)	-	-
Capital Income				
Sale Proceeds		2,625,000	-	-
Capital Expenditure				
Net Book Value		(2,800,000)	-	-
<b>Profit / (Loss) on Sale</b>		<b>(183,496)</b>	<b>-</b>	<b>-</b>
<b>429 Marmion Street, Myaree</b>				
Operating Expenditure				
Selling Costs		(10,605)	-	-
Capital Income				
Sale Proceeds		570,000	-	-
Capital Expenditure				
Net Book Value		(630,000)	-	-
<b>Profit / (Loss) on Sale</b>		<b>(70,605)</b>	<b>-</b>	<b>-</b>
<b>Expected future Cash Flows</b>		<b>2011/12 \$</b>	<b>2012/13 \$</b>	<b>2013/14 \$</b>
Cash Inflows				
Sale Proceeds		1,000,000	1,500,000	1,500,000
Interest Proceeds		70,781	91,360	76,600
<b>Net Cash Flows</b>		<b>1,070,781</b>	<b>1,591,360</b>	<b>1,576,600</b>

The net cash flows of the entire land transaction will result in a inflow/income of \$238,740.

**27. SPECIFIED AREA RATE - UNDERGROUND POWER**

<b>Specified Area Rate</b>	<b>2010/11 Actual \$</b>	<b>2010/11 Budget \$</b>	<b>2009/10 Actual \$</b>
<b>Attadale South Underground Power Project</b>			
<b>OPERATING INCOME</b>			
Specified Area Rate - Attadale South Underground Power	4,451,878	4,500,000	-
<b>Total Operating Income</b>	<b>4,451,878</b>	<b>4,500,000</b>	<b>-</b>
<b>OPERATING EXPENDITURE</b>			
Western Power - Attadale South Undergroud Power Cash Calls	(4,351,030)	(4,500,000)	-
<b>Total Operating Expenditure</b>	<b>(4,351,030)</b>	<b>(4,500,000)</b>	<b>-</b>
<b>Net Specified Area Rate - Surplus / (Deficit) to Carry Forward</b>	<b>100,848</b>	<b>-</b>	<b>-</b>



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**28. FINANCIAL RATIOS**

	2010/11	2009/10	2008/09	2007/08	2006/07
<b>FINANCIAL RATIOS</b>					
<b>Higher Better</b>					
Current Ratio	1.59:1	1.56:1	1.32:1	1.31:1	1.59:1
Untied Cash to Trade Creditors Ratio	1.93:1	2.62:1	1.2:1	1.25:1	3.25:1
<b>Lower Better</b>					
Debt Ratio (%)	3.83	3.47	3.56	3.36	3.42
Debt Service Ratio (%)	0.72	0.84	0.71	0.94	1.06
Gross Debt to Revenue Ratio (%)	4.37	5.15	5.32	6.42	7.23
Gross Debt to Economically Realisable Assets Ratio (%)	5.55	1.10	1.19	1.22	1.30
Outstanding Rates Ratio (%)	4.26	5.32	11.29	5.82	5.86
Rate Coverage Ratio (%) <small>excluding deferred rates</small>	54.91	51.48	48.33	50.97	47.82

**The above ratios are calculated as follows:**

<b>Current Ratio</b> - assesses the adequacy of working capital and the ability to satisfy short term obligations.	Current assets minus restricted current assets
	Current liabilities minus liabilities associated with restricted assets
<b>Untied Cash to Trade Creditors Ratio</b> - assesses the sufficiency of cash available to honour creditors.	Untied cash
	Unpaid trade creditors
<b>Debt Ratio</b> - identifies the exposure to debt by measuring the proportion of assets funded by creditors.	Total liabilities
	Total assets
<b>Debt Service Ratio</b> - assesses the degree to which revenues are committed to the repayment of debt.	Debt Service Cost (Principal & Interest)
	Available operating revenue
<b>Gross Debt to Revenue Ratio</b> - indicates what proportion of total revenue is available to repay the total debts.	Gross debt
	Total revenue
<b>Gross Debt to Economically Realisable Assets Ratio</b> - indicates the proportion of non-infrastructure assets financed through debt.	Gross debt
	Economically realisable assets
<b>Outstanding Rates Ratio</b> - assesses the impact of uncollected rates on liquidity and the adequacy of recovery effort excluding Pensioners.	Rates outstanding
	Rates collectable
<b>Rate Coverage Ratio</b> - assesses the degree of dependence on revenue from rates.	Net rate revenue
	Operating revenue

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**29. FINANCIAL RISK MANAGEMENT**

The City's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The City's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the City.

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

Financial risk management is carried out by the finance area under policies approved by the Council.

The City held the following financial instruments at balance date:

	<b>Carrying Value</b>		<b>Fair Value</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>				
Cash and cash equivalents	54,982,629	35,132,536	54,982,629	35,132,536
Receivables	13,241,112	10,411,632	13,241,112	10,411,632
Available-for-sale financial assets	5,131,043	11,692,673	5,131,043	11,692,673
	<u><b>73,354,785</b></u>	<u><b>57,236,843</b></u>	<u><b>73,354,785</b></u>	<u><b>57,236,843</b></u>
<b>Financial Liabilities</b>				
Payables	13,181,143	10,187,996	13,181,143	10,187,996
Borrowings	4,017,489	4,310,446	2,722,768	3,474,344
	<u><b>17,198,631</b></u>	<u><b>14,498,442</b></u>	<u><b>15,903,911</b></u>	<u><b>13,662,340</b></u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings, Held-to-Maturity Investments – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Investments - Available for Sale Financial Assets – based on independent valuation.  
 (Note - The substantial reduction in the values shown is as a result of the repurchase of ADIs by the issuing banks at full face value, during the 2010/11 financial year)

**29. FINANCIAL RISK MANAGEMENT (continued)**

**(a) Cash and Cash Equivalents**

**Financial assets at fair value through profit or loss**  
**Available-for-sale financial assets**

The City's objective is to maximise its return on cash and investments at low levels of risk appropriate for public monies whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio with the assistance of independent advisers (where applicable). The City has an investment policy and the policy is subject to review and approval by the Council. An Investment Report is provided to the Council on a monthly basis setting out the make-up and performance of the portfolio.

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

Cash and investments are also subject to interest rate risk – the risk that movements in interest rates could affect returns. The weighted average interest rate for 2010/11 was 5.51% (4.18% for 2009/10).

Another risk associated with cash and investments is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to the City.

The City manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. The City also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	30-Jun-11	30-Jun-10
	\$	\$
Impact of a 10% (*) movement in price of investments:		
- Equity	2,322,000	3,137,000
- Income Statement	2,322,000	3,137,000
Impact of a 1% (+) movement in interest rates on cash and investments:		
- Equity	601,137	468,252
- Income Statement	601,137	468,252

The recent turmoil in the world financial markets has made it very difficult to estimate any future negative impact it will have on the City's investment portfolio. We have therefore come up with our best estimate (10%) of what may happen in the future.

**Notes:**

(\*) Sensitivity percentages based on management's expectation of future possible market movements. Recent market volatility has seen large market movements for certain types of investments.

(+) Maximum Impact.

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**29. FINANCIAL RISK MANAGEMENT (continued)**

**(b) Receivables**

The City's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The City manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of the City to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. The City is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

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

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

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

The profile of the City's credit risk at balance date was:

	<b>30-Jun-11</b>	<b>30-Jun-10</b>
Percentage of Rates Outstanding to Rates Revenue including Deferred	7%	8%
Percentage of Other Receivables		
- Current	99%	96%
- Overdue	1%	4%

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**29. FINANCIAL RISK MANAGEMENT (continued)**

**(c) Payables**

**Borrowings**

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities arranged if required.

The contractual undiscounted cash flows of the City's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	<b>Due within 1 year \$</b>	<b>Due between 1 &amp; 5 years \$</b>	<b>Due after 5 years \$</b>	<b>Total contractual cash flows \$</b>	<b>Carrying values \$</b>
<b><u>2011</u></b>					
Payables	13,181,143	-	-	13,181,143	13,181,143
Borrowings	521,342	2,393,472	3,091,364	6,006,178	4,017,489
	<b><u>13,702,485</u></b>	<b><u>2,393,472</u></b>	<b><u>3,091,364</u></b>	<b><u>19,187,321</u></b>	<b><u>17,198,631</u></b>
<b><u>2010</u></b>					
Payables	10,187,996	-	-	10,187,996	10,187,996
Borrowings	2,116,221	1,495,257	1,994,297	5,605,775	4,310,447
	<b><u>12,304,217</u></b>	<b><u>1,495,257</u></b>	<b><u>1,994,297</u></b>	<b><u>15,793,771</u></b>	<b><u>14,498,443</u></b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2011**

**29. FINANCIAL RISK MANAGEMENT (continued)**

**(c) Payables (continued)**

**Borrowings (continued)**

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. The City manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
<b><u>Year Ended 30 June 2011</u></b>								
<b>Borrowings</b>								
<b>Fixed Rate</b>								
Debentures	283,938	289,163	302,842	307,255	266,358	2,567,932	4,017,489	5.83%
Weighted Average Effective Interest Rate	5.92%	6.20%	6.51%	6.17%	6.16%	5.70%		
<b><u>Year Ended 30 June 2010</u></b>								
<b>Borrowings</b>								
<b>Fixed Rate</b>								
Debentures	1,824,378	232,533	234,627	244,984	245,875	1,528,050	4,310,447	5.93%
Weighted Average Effective Interest Rate	6.78%	5.86%	6.33%	6.87%	6.30%	5.77%		





City of  
**Melville**

**Street Address**

10 Almondbury Road, Booragoon WA 6154

**Po Box** Locked Bag 1, Booragoon WA 6954

**Tel** 1300 635 845

**Fax** 08 9364 0285

**www** [melvillecity.com.au](http://melvillecity.com.au)

**National Relay Service** (hearing/speech impaired)

**Tel** 133 677 (TTY) 1300 555 727 (speech relay)

**www** [relayservice.com.au](http://relayservice.com.au)

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