

# Annual Financial Statements 2011/12



# Annual Financial Statements 2011-2012



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**CITY OF MELVILLE**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2012**  
**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 2012 are in my opinion properly drawn up to present fairly the financial position of the City of Melville at 30<sup>th</sup> June 2012 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**

**31<sup>st</sup> October 2012**

## **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 2012 and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, 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:

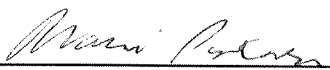
- (i) gives a true and fair view of the financial position of the City of Melville as at 30 June 2012 and of its financial performance for the year ended on that date; and
- (ii) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as 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).

### **Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the financial report of City of Melville for the year ended 30 June 2012 included on the City of Melville's website. The Council is responsible for the integrity of the City of Melville's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

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

  
A MACRI  
PARTNER

PERTH  
DATED THIS 6th DAY OF NOVEMBER 2012.



Date : 31 October 2012

Mr Anthony Macri  
Audit Partner  
Macri Partners  
Suite 2, 137 Burswood Road,  
BURSWOOD WA 6100

Dear Sir

**Management Representation Letter - External Audit, Year ended 30 June 2012**

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 2012, for the purpose of expressing an opinion as to whether the financial report gives a true and fair view in accordance with:

- The 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).

We confirm that City of Melville is a reporting entity and therefore the preparation of a general purpose financial report is appropriate.

We confirm, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves the following representations made to you during your audit.

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.



## ***Financial Report***

1. We have fulfilled our responsibilities, as set out in the terms of the audit contract, for the preparation 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); in particular the financial report gives a true and fair view in accordance therewith.
2. All transactions have been recorded in the accounting records and are reflected in the financial report. This includes all off-balance sheet agreements or instruments.
3. We have no current plans or intentions that may materially affect the carrying values, or classification, of assets and liabilities.
4. All significant accounting policies which are described in Note 1 to the financial statements have been consistently applied in accordance with the requirements of the 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).
5. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial report as a whole.
6. The following, where applicable, 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) Unasserted claims or assessments that our solicitors have advised us are probable of assertion; and
  - (c) Losses arising from the fulfillment of, or an inability to fulfill, 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.
7. We are not aware of any 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.
8. Details have been furnished to you about all material contracts and agreements that would have a material effect on the financial report for the year ended 30 June 2012 or that have become effective since that date.



### ***Information Provided***

9. We have granted you access to:

- All information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
- All internal audit reports and reports resulting from other management reviews;
- Minutes of all meetings held by the Council;
- All legal issues and legal opinions which have the capacity to be relevant to the fairness of the financial statements;
- Information about all deficiencies in internal control of which we are aware;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

### ***Compliance with Legislation and Other Requirements***

10. We are not aware of any instances of non-compliance or suspected non-compliance with laws and regulations, contracts or agreements whose effects should be considered when preparing the financial report.

### ***Internal Controls***

11. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud. We have established and maintained adequate internal control to ensure we:

- Prepare reliable financial statements;
- Maintain adequate financial records ;
- Record all material transactions in the accounting records underlying the financial statements;
- Minimise the risk of fraud and error occurring and are able to detect them should they occur; and
- Minimise the risk of significant breaches of legislation and other mandatory requirements occurring and detect significant breaches of legislation and other mandatory requirements should they occur.





### **Accounting Estimates**

12. We confirm the significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable and have been disclosed in the financial report.
13. We confirm the measurement processes, including related assumptions, used by management to determine accounting estimates in the context of the applicable financial reporting framework are appropriate and have been consistently applied.
14. We confirm the disclosures related to accounting estimates are complete and appropriate.

### **Fraud and error**

15. We have disclosed to you:
  - (a) The results of our assessment of the risk whether there may be any fraud which may result in the financial report to be materially misstated.
  - (b) Our knowledge of fraud or suspected fraud affecting the entity involving:
    - Management;
    - Employees who have significant roles in internal control; or
    - Others where the fraud could have a material effect on the financial report.
  - (c) Our knowledge of any allegations of fraud, or suspected fraud, if any, what would affect the entity's financial report communicated to us by employees, former employees, analysts, regulators or others.

### **Receivables**

16. Balances owing by trade and other debtors at balance date are valid receivables.
17. All known bad debts have been written off and adequate provision has been made for impairment to cover allowances, discounts and losses that may be sustained by Council in the collection of debts.

### **Other Current Assets**

18. We expect to realise all other current assets at least at the amounts at which they are stated in the financial statements.

### **Inventories**

19. Inventories in the statement of financial position comprise the whole of the Council's inventories. 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.



### **Accounting for Investments in Joint Ventures**

20. We have made available to you details and records relating to the existence of all our ownership interests held in any joint venture operation.

### **Financial instruments**

21. We have not derecognised any financial instruments that would have met the derecognition criteria of AASB 139 *Financial Instruments: Recognition and Measurement*.
22. All instruments recorded as equity instruments meet the definition of equity in AASB 132 *Financial Instruments: Presentation*.
23. The sensitivity analysis disclosed in the financial report for price risk, credit risk, liquidity risk and interest rate risk are all based upon reasonably possible fluctuations in prices, interest rates, credit terms for the period until the next annual financial report is expected to be signed.
24. All quantitative disclosures in the financial report relating to risk exposures in respect of financial instruments at reporting date are representative of exposures during the financial year.
25. All concentrations of credit risk, liquidity risk and market risk (including interest rate risk and other price risk) have been properly disclosed in the financial report.
26. Disclosures in the notes forming the accounts relating to processes for managing risk of financial instruments reflect actual processes in place during the reporting period.

### **Fair Value Measurements and Disclosures**

27. Where assets and liabilities are recorded at fair value, the value attributed to these assets and liabilities is, in the opinion of the Council, the fair value.
28. We confirm the significant assumptions used in fair value measurements and disclosures are reasonable, and appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council.
29. We confirm the measurement methods, including related assumptions, used by management in determining fair values within the applicable financial reporting framework are appropriate, and have been consistently applied.
30. We confirm the disclosures related to fair value in the financial statements are complete and appropriate.





## Property, Plant and Equipment

31. 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.
32. The additions during the 2012 financial year to property, plant and equipment and infrastructure general ledger control accounts and asset registers represent the cost of additions and 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 general ledger and applicable asset register. Adequate provision, determined in a manner consistent with that of the preceding financial year, has been made to write-off depreciable assets over their useful economic working lives.

No circumstances have arisen which render adherence to the existing basis of depreciation misleading or inappropriate and that depreciation expense for the financial year ended 30 June 2012 is reliable.
33. All additions to depreciable assets represent actual additions or improvements of a capital nature, based on capitalisation thresholds consistently applied for the 2012 financial year.
34. Where the recorded carrying amount of any depreciable assets exceeds its recoverable amount as at 30 June 2012, that asset's recorded carrying amount has been written down to its recoverable amount.
35. Depreciation expense reported in the 2012 Statement of Comprehensive Income is reliable, being based on reliable 'whole of life' asset management information for each class of depreciable non-current asset.
36. 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.
37. The carrying amount of each physical non-current asset does not materially differ from its fair value at the end of the reporting period. Significant fair value assumptions, including fair value assumptions with high estimation uncertainty are reasonable.

## Work in progress

38. Where applicable, we have made provision for all expected future losses on contracts entered into at the reporting date, based on estimated costs to complete, including appropriate overhead expenditure.



### **Impairment of Assets**

39. We have considered the requirements of AASB 136 Impairment of Assets when assessing the carrying amount of assets and in ensuring that no assets are stated in excess of their recoverable amount.
40. Where available-for-sale financial assets have suffered a significant or prolonged decline in the fair value below initial cost then the amount of the impairment has been taken to the Statement of Comprehensive Income.

### **Liabilities**

41. All material liabilities at the statement of financial position date have been taken up in the books of account, including the liability for all purchases to which title has passed prior to the balance date, and for all items including the inventory.
42. We have disclosed the existence of any loans approved but not drawn down at the reporting date.
43. All amounts of capital repayment and interest due to be paid to lenders during reporting period were made on time, in accordance with provision of the loan agreement, except as disclosed in the financial report.
44. No asset of the Council has been pledged as security for any liability, except as disclosed in financial report.
45. There are no financial guarantee contracts in place to third parties which could be called upon in the event of a default.

### **Insurance**

46. We confirm that best practice risk management techniques are used and the assistance of appointed consultants is arranged in assessing insurable risk and in managing the Council's insurance portfolio. The Council has an established procedure whereby an officer reviews at least annually the adequacy of insurance cover on all assets and insurable risks. In our judgment, all reasonable commercial considerations are included in arriving at insurable risk.

To the best of our knowledge and belief, the Council's assets are securely covered by adequate insurances to cover losses arising from fraud, loss of earnings, fire, flood or other reasonably insurable events in the next financial year.

### **Taxation**

47. We confirm there are no disputes with any taxation authorities whose effects should be considered for disclosure in the financial report or as a basis for recording an expense.





## **Leases**

48. No Operating or Finance Lease commitments exist that has not been included in the financial report. All Operating Lease expenses have been reflected in the Statement of Comprehensive Income. Finance Lease commitments, where applicable, have been included in the notes to the Statement of Financial Position.

## **Litigation and Claims**

49. We confirm that all known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to you. The effects of these events have been accounted for and disclosed in accordance with the applicable financial reporting framework.

We have provided to you all information regarding material outstanding legal matters.

## **Commitments for Capital Expenditure**

50. Other than those commitments reported in the notes to the financial statements, there were no significant commitments for capital expenditure contracts carrying over at year end.

## **Provisions, Contingent Assets and Contingent Liabilities**

51. We have properly recorded and/or disclosed in the financial statements:

- Arrangements involving restrictions on cash balances, compensating balances and line-of-credit or similar arrangements;
- Agreements or options to repurchase assets previously sold; and
- Material or contingent liabilities or assets including those arising under derivative financial instruments.

52. There were no other contingent liabilities or capital commitments required to be disclosed in the financial report.

## **Environmental Issues**

53. We have considered whether environmental matters could have a material impact on the financial statements and conclude that:

- We are not aware of any material liabilities or contingencies arising from environmental matters, including those resulting from illegal or possibly illegal acts;
- We are not aware of environmental matters that may result in a material impairment of assets; and
- Where we are aware of such matters referred to in the two points above, we have disclosed to you all facts relating to those matters.

We are aware of our obligations under the Contaminated Sites Act 2003 and have reported to the Department of Environment and Conservation, all land owned, vested or leased by the Council that is known to be, or is suspected of being, contaminated. All actual liabilities or contingent liabilities relating to this, if any, have been disclosed in the financial statements as appropriate.

## **Going Concern**

54. We made an assessment of the Council's ability to continue as a going concern when preparing the financial report. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Council's ability to continue as a going concern. Where we are aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Council's ability to continue as a going concern, we have disclosed those uncertainties in the financial report.

## **Events subsequent to the Reporting Period**

55. No events, other than those disclosed in the financial report, have occurred subsequent to the financial year-end date or are pending that would require adjustment to, or disclosure in, the financial report or amendments to significant assumptions used in the preparation of the accounting estimates.

## **Results for the Year**

56. The results for the year were not materially affected by:

- (a) Any change on the basis of accounting;
- (b) Circumstances of significant nature; and
- (c) Charges or credits relating to prior years.





## Electronic Presentation of Audited Financial Report

57. If we publish the financial report on our website, we acknowledge that:

- We are responsible for the electronic presentation of the financial report;
- We will ensure that the electronic version of the audited financial report and the auditor's report on the website are identical to the final signed hard copy version;
- We will clearly differentiate between audited and unaudited information in the construction of the Council's website as we understand the risk of potential misrepresentation;
- We have assessed the controls over the security and integrity of the data on the website and that adequate procedures are in place to ensure the integrity of the information published; and
- We will only present the auditor's report where the full financial report is published on the website.

We understand that 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 : 31<sup>st</sup> October 2012**

**CITY OF MELVILLE**  
**STATEMENT of COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

	Note	2011/12 Actual \$	2011/12 Budget \$	2010/11 Actual \$
<b>Revenue</b>				
Rates	14	51,102,625	50,937,579	51,236,145
Grants & Contributions	19	4,411,268	2,614,687	4,059,392
Fees & Charges	17	27,888,212	27,544,340	27,364,903
Service Charges	18	2,873,289	2,931,946	2,236,558
Investment Earnings	20	5,285,329	4,040,000	4,882,985
Other Revenue		3,531,497	1,766,254	2,200,609
		95,092,220	89,834,806	91,980,592
<b>Expenses</b>				
Employee Costs		(35,548,326)	(36,514,031)	(33,454,404)
Materials & Contracts		(24,981,572)	(26,392,700)	(22,999,510)
Utilities		(3,741,087)	(3,504,342)	(3,178,543)
Insurance		(1,273,442)	(1,338,400)	(1,172,970)
Depreciation	2(a)	(15,549,638)	(13,384,880)	(13,686,183)
Finance Costs	2(a)	(327,520)	(241,519)	(374,775)
Other Expenditure		(4,775,651)	(4,119,919)	(6,828,252)
		(86,197,236)	(85,495,791)	(81,694,637)
<b>Grants/Contributions for the Development of Assets</b>				
Grants and Contributions - non-operating	19	2,671,076	2,118,657	2,327,279
<b>Profit / (Loss) on Disposal of Assets</b>	10			
Profit on Asset Disposals		3,789,465	651,125	138,417
Loss on Asset Disposals		(1,476,736)	(656,077)	(388,936)
		2,312,729	(4,952)	(250,519)
<b>Other Revenue / (Expenses)</b>				
Investment Gains / (Losses)	2(a)	1,948,089	-	88,369
Increase in Equity - SMRC Joint Venture	25	3,478,264	-	3,387,229
		5,426,353	-	3,475,598
<b>NET RESULT</b>		<b>19,305,142</b>	<b>6,452,720</b>	<b>15,838,313</b>
<b>Other Comprehensive Income</b>				
Changes on Revaluation of Non-Current Assets	10(d)	(2,433,148)	-	514,112
<b>Total Other Comprehensive Income</b>		(2,433,148)	-	514,112
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>16,871,994</b>	<b>6,452,720</b>	<b>16,352,425</b>



**CITY OF MELVILLE**  
**STATEMENT of COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

	Note	2011/12 Actual \$	2011/12 Budget \$	2010/11 Actual \$
<b>Revenue</b>				
Governance		2,419,851	1,410,890	5,080,878
General Purpose Funding		62,020,516	59,006,350	56,614,737
Law, Order, Public Safety		2,386,918	2,383,915	2,425,353
Health		213,046	189,000	218,629
Education & Welfare		445,697	208,497	1,075,394
Housing		70,443	68,125	64,349
Community Amenities		16,222,446	15,913,420	15,289,792
Recreation and Culture		8,664,923	7,897,263	7,850,771
Transport		4,811,536	4,379,770	5,152,087
Other Property and Services		2,820,650	491,280	285,363
		100,076,026	91,948,511	94,057,353
<b>Expenses Excluding Finance Costs</b>				
Governance		(9,665,691)	(10,267,914)	(13,743,046)
General Purpose Funding		(2,993,703)	(2,903,840)	(4,918,033)
Law, Order, Public Safety		(3,425,922)	(3,598,560)	(3,745,054)
Health		(899,414)	(937,833)	(853,010)
Education & Welfare		(5,217,210)	(5,460,056)	(5,413,487)
Housing		(60,943)	(50,550)	(47,781)
Community Amenities		(17,089,852)	(18,233,961)	(17,032,776)
Recreation and Culture		(25,460,024)	(25,269,410)	(23,684,854)
Transport		(17,382,955)	(15,288,709)	(8,860,242)
Economic Services		(98,076)	(136,208)	(99,515)
Other Property and Services		(3,575,925)	(3,109,231)	(2,922,063)
		(85,869,717)	(85,256,272)	(81,319,861)
<b>Finance Costs</b>				
Recreation and Culture	2(a)	(327,520)	(239,519)	(374,775)
		(327,520)	(239,519)	(374,775)
<b>Other Revenue / Expenses</b>				
Investment Gains / (Losses)	2(a)	1,948,089	-	88,369
Increase in Equity - SMRC Joint Venture	25	3,478,264	-	3,387,229
		5,426,353	-	3,475,598
<b>NET RESULT</b>		<b>19,305,142</b>	<b>6,452,720</b>	<b>15,838,314</b>
<b>Other Comprehensive Income</b>				
Changes on Revaluation of Non-Current Assets	10(d)	(2,433,148)	-	514,112
<b>Total Other Comprehensive Income</b>		<b>(2,433,148)</b>	<b>-</b>	<b>514,112</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>16,871,994</b>	<b>6,452,720</b>	<b>16,352,426</b>

**CITY OF MELVILLE  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2012**

	Note	2011/12 Actual \$	2010/11 Actual \$
<b>Current Assets</b>			
Cash & Cash Equivalents	4(a)	67,619,478	54,982,629
Investments	5	544,668	5,131,043
Trade & Other Receivables	6	6,056,430	4,772,013
Inventories	7(a)	156,342	157,747
Other Assets	7(b)	548,715	554,020
<b>Total Current Assets</b>		<b>74,925,633</b>	<b>65,597,453</b>
<b>Non Current Assets</b>			
Trade & Other Receivables	6	6,147,534	7,915,078
Property, Plant & Equipment	10(a)	255,527,476	221,434,698
Infrastructure	10(a)	244,496,907	271,582,633
Investment Property	10(b)	10,039,231	10,290,385
Work in Progress		-	1,062,470
Other Financial Assets	5	8,210,444	4,732,180
<b>Total Non Current Assets</b>		<b>524,421,592</b>	<b>517,017,444</b>
<b>TOTAL ASSETS</b>		<b>599,347,225</b>	<b>582,614,897</b>
<b>Current Liabilities</b>			
Trade & Other Payables	8	10,681,954	8,318,193
Provisions	9	4,921,258	4,605,842
Borrowings	11	298,672	283,938
<b>Total Current Liabilities</b>		<b>15,901,884</b>	<b>13,207,972</b>
<b>Non Current Liabilities</b>			
Trade & Other Payables	8	2,115,034	4,862,950
Borrowings	11	3,464,054	3,733,550
Provisions	9	716,116	532,280
<b>Total Non Current Liabilities</b>		<b>6,295,204</b>	<b>9,128,780</b>
<b>TOTAL LIABILITIES</b>		<b>22,197,088</b>	<b>22,336,752</b>
<b>NET ASSETS</b>		<b>577,150,137</b>	<b>560,278,145</b>
<b>Equity</b>			
Retained Surplus		253,003,996	235,845,749
Reserves - Cash / Investment Backed	12	64,449,628	62,302,734
Reserves - Asset Revaluation	12	259,696,513	262,129,662
<b>TOTAL EQUITY</b>		<b>577,150,137</b>	<b>560,278,145</b>



**CITY OF MELVILLE  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2012**

	Note	RETAINED SURPLUS \$	RESERVES CASH/INVEST BACKED \$	RESERVES ASSET REVALUATION \$	TOTAL EQUITY \$
<b>Balance as at 1 July 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
Net 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>
Net Result		19,305,142	-	-	19,305,142
Total Other Comprehensive Income		-	-	(2,433,148)	(2,433,148)
Net Transfers (To)/From Reserves	12	(2,146,895)	2,146,895	-	-
<b>Balance as at 30 June 2012</b>		<b>253,003,996</b>	<b>64,449,628</b>	<b>259,696,513</b>	<b>577,150,137</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 2012**

	Note	2011/12 Actual \$	2011/12 Budget \$	2010/11 Actual \$
<b>Cash Flows from Operating Activities</b>				
<b>Receipts</b>				
Rates		51,138,400	50,937,579	51,355,120
Fees and Charges		27,047,975	26,574,991	26,950,201
Service Charges		2,873,289	2,692,946	2,236,558
Interest Received		5,228,744	3,959,792	4,803,045
Grants, Subsidies, Contributions and Donations		4,411,268	2,614,687	4,059,392
Goods and Services Tax		3,759,367	-	2,415,799
Other		5,036,803	2,005,254	1,857,778
		99,495,846	88,785,249	93,677,893
<b>Payments</b>				
Employee Costs		(34,857,253)	(36,517,484)	(33,409,509)
Materials and Contracts		(21,527,775)	(26,465,182)	(21,024,758)
Utility Charges		(3,741,087)	(3,504,342)	(3,178,543)
Insurance Costs		(1,273,442)	(1,338,400)	(1,172,970)
Interest Paid		(545,501)	(307,422)	(1,039,996)
Goods and Services Tax		(4,169,955)	-	(1,819,738)
Other		(7,523,568)	(4,119,919)	(6,009,192)
		(73,638,581)	(72,252,749)	(67,654,706)
<b>Net Cash Provided by Operating Activities</b>	ii	<b>25,857,265</b>	<b>16,532,500</b>	<b>26,023,187</b>
<b>Cash Flows from Investing Activities</b>				
(Increase) / Decrease in Investments		6,534,464	-	6,649,999
Proceeds from Sale of Property and Equipment		3,789,465	651,125	2,619,366
Grants and Contributions for Asset Development		2,671,076	2,118,657	2,327,279
Payments for Purchase of Property, Plant and Equipment		(11,751,516)	(6,432,242)	(3,720,807)
Payments for Construction/Acquisition of Infrastructure		(14,463,905)	(12,894,475)	(14,048,931)
<b>Net Cash Used in Investing Activities</b>		<b>(13,220,416)</b>	<b>(16,556,933)</b>	<b>(6,173,095)</b>
<b>Cash Flows from Financing Activities</b>				
Repayment of Self-Supporting Loan Principal		(284,762)	(304,271)	(292,957)
Self-Supporting Loan Principal Received		284,762	297,610	292,957
<b>Net Cash Provided by (Used In) Financing Activities</b>		<b>-</b>	<b>(6,661)</b>	<b>-</b>
<b>Net Increase / (Decrease) in Cash Held</b>		<b>12,636,849</b>	<b>(31,096)</b>	<b>19,850,093</b>
Cash at Beginning of Year		54,982,629	45,939,710	35,132,536
<b>Cash and Cash Equivalents at the End of Year</b>	i	<b>67,619,478</b>	<b>45,908,614</b>	<b>54,982,629</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 2012**

**i. Reconciliation of Cash**

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>2011/12 Actual \$</b>	<b>2010/11 Actual \$</b>
Cash and Cash Equivalents	67,619,478	54,982,629
<b>Net Cash at End of Year</b>	<b>67,619,478</b>	<b>54,982,629</b>

**ii. Reconciliation of Net Cash Provided by Operating Activities to Net Result**

<b>Net Result</b>	<b>19,305,142</b>	<b>15,838,314</b>
<b>Add / (Less) Non-Cash / Non-Operating Items</b>		
Depreciation	15,549,638	13,686,183
(Profit)/Loss on Disposal of Assets	(2,312,729)	250,520
Grants & Contributions for the Development of Assets	(2,671,076)	(2,327,279)
Investments Unrealised (Gains) / Losses	(1,948,089)	(88,369)
Increase in Equity - SMRC Joint Venture	(3,478,264)	(3,387,229)
<b>Changes in Assets &amp; Liabilities During the Financial Year:</b>		
(Increase)/Decrease in Accrued Income	(56,585)	(79,940)
(Increase)/Decrease in Accrued Expenses	191,821	(27,324)
(Increase)/Decrease in Accrued Income Payable	(217,980)	(665,221)
(Increase)/Decrease in Current Receivables	(1,227,833)	1,958,956
(Increase)/Decrease in Non-Current Receivables	1,767,544	(1,365,663)
(Increase)/Decrease in Work in Progress	1,062,470	(855,005)
Increase/(Decrease) in Current Creditors	2,404,655	1,326,192
Increase/(Decrease) in Non-Current Creditors	(3,017,412)	2,066,542
(Increase)/Decrease in Inventory	1,405	(36,875)
Increase/(Decrease) in Provision for Employee Entitlements	499,253	72,220
(Increase)/Decrease in Prepayments	5,306	(342,831)
<b>Net Cash Provided by Operating Activities</b>	<b>25,857,265</b>	<b>26,023,187</b>

**CITY OF MELVILLE  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2012**

	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>2010/11 Actual \$</b>
<b>Revenue</b>			
Governance	2,419,851	1,410,890	5,080,878
General Purpose Funding	10,918,137	8,068,771	8,766,370
Law, Order, Public Safety	2,386,918	2,383,915	2,425,353
Health	213,046	189,000	218,629
Education & Welfare	445,697	208,497	1,075,394
Housing	70,443	68,125	64,349
Community Amenities	19,700,464	15,913,420	15,289,242
Recreation and Culture	8,664,923	7,897,263	7,850,771
Transport	4,811,536	4,379,770	5,152,087
Other Property and Services	2,820,650	491,281	285,363
	<b>52,451,665</b>	<b>41,010,932</b>	<b>46,208,436</b>
<b>Expenses</b>			
Governance	(9,665,691)	(10,267,914)	(13,743,046)
General Purpose Funding	(1,045,614)	(2,903,840)	(4,829,664)
Law, Order, Public Safety	(3,425,922)	(3,598,560)	(3,745,054)
Health	(899,414)	(937,833)	(853,010)
Education & Welfare	(5,217,210)	(5,460,056)	(5,413,487)
Housing	(60,943)	(50,550)	(47,781)
Community Amenities	(17,089,852)	(18,233,961)	(17,032,776)
Recreation and Culture	(25,787,545)	(25,508,929)	(24,059,629)
Transport	(17,382,955)	(15,288,709)	(8,860,242)
Economic Services	(98,076)	(136,208)	(99,515)
Other Property and Services	(3,575,925)	(3,109,231)	(2,922,063)
	<b>(84,249,147)</b>	<b>(85,495,791)</b>	<b>(81,606,268)</b>
<b>Adjustments for Cash Budget Requirements</b>			
<b>Non-Cash Revenue &amp; Expenditure</b>			
(Profit) / Loss on Asset Disposals	(2,312,729)	4,952	250,520
Depreciation on Assets	15,549,638	13,384,880	13,686,183
Plant Investment Provision	407,067	407,067	415,516
Investments Impaired / (Written Off)	(6,983,625)	-	(1,588,369)
Increase in Equity - SMRC Joint Venture	(3,478,264)	-	(3,387,229)
Movement in Deferred Pensioner Rates/ESL (non-current)	176,014	-	(118,181)
Movement in Employee Benefit Provisions (non-current)	183,836	-	51,282
	<b>3,541,937</b>	<b>13,796,899</b>	<b>9,309,721</b>
<b>Capital Revenue &amp; Expenditure</b>			
Purchase of Furniture & Equipment	(1,694,852)	(1,748,800)	(818,198)
Purchase of Plant & Equipment	(684,324)	(2,719,942)	(1,569,721)
Purchase of Land & Buildings	(9,372,340)	(1,963,500)	(1,332,887)
Purchase of Infrastructure Assets	(14,463,905)	(12,894,475)	(14,638,181)
Proceeds from Disposal of Assets	3,789,465	651,125	5,619,366
Proceeds from New Loan	30,000	-	-
Repayment of Debentures	(284,762)	(304,271)	(292,957)
Self-Supporting Loan Principal Revenue	284,762	297,610	292,957
Transfers TO Reserves	(16,747,226)	(6,944,426)	(16,599,346)
Transfers FROM Reserves	20,948,124	14,409,272	14,088,668
Carry Forward Reserve Transfers	(6,347,792)	(10,895,697)	(7,107,645)
	<b>(24,542,850)</b>	<b>(22,113,104)</b>	<b>(22,357,944)</b>
<b>ADD : Surplus/(Deficit) - July 1 B/Fwd</b>	<b>7,375,224</b>	<b>1,863,486</b>	<b>4,585,133</b>
<b>LESS : (Surplus)/Deficit - June 30 C/Fwd</b>	<b>(5,679,453)</b>	<b>-</b>	<b>(7,375,224)</b>
<b>Amount Required to be Raised from Rates</b>	<b>(51,102,625)</b>	<b>(50,937,579)</b>	<b>(51,236,145)</b>



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**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.

Except for cash flow and rate setting information, 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**

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. The net amount of GST recoverable from or payable to the Australian Taxation Office (ATO) is included with receivables or payables in the Statement of Financial Position.

Cash flows are presented on a Gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**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 completion of development. 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.

Subsequent costs are included in the asset's carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the City and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the Statement of Comprehensive Income in the period in which they are incurred.

**Revaluation**

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

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

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 2012**

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

**Land Under Roads**

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

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 - 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
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
Landscaping	5 Years
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 2012**

**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 2012**

**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 profit or loss. Any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the City no longer has any significant continual involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**(j) 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 impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard (e.g. AASB 116) whereby any impairment

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.

**(k) 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.

**CITY OF MELVILLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

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

**(l) Employee Benefits**

Provision is made for the City's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

**(m) 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.

**(n) 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.

**(o) 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 at the lower amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. 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 for 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.

**(p) 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.

**(q) Rounding Off Figures**

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



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

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

**(r) Comparative Figures**

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

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

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the 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.

**(t) 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.

**(u) Events after the Reporting Period**

The Australian Government passed the Clean Energy Act 2011 on 8 November 2011 introducing a carbon pricing mechanism from 1 July 2012.

The City does not have a direct carbon price liability as it does not fall within the group of major polluters identified by the Australian Federal Government. It will be impacted by the indirect flow-through of the carbon price via increased costs on its operations largely from cost increases in electricity, materials and waste disposal in landfills.

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

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

**(v) 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 City for the annual reporting period ending 30 June 2012.

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

	<b>Title and topic</b>	<b>Issued</b>	<b>Applicable(1)</b>	<b>Impact</b>
(i)	AASB 9 – Financial Instruments	December 2009	1 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 1053 – Application of Tiers of Australian Accounting Standards	June 2010	1 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.
(iii)	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	1 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).
(iv)	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	1 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.
(v)	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, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2010	1 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 – 8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	December 2010	1 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.

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

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

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

(vii)	AASB 2010 – 10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	December 2010	1 January 2013	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.
(viii)	AASB 2011 – 2 Amendments to Australian Accounting Standards – Arising from the Trans – Tasman Consequence Project – Reduced Disclosure Requirements. [AASB 101 & AASB 1054]	May 2011	1 July 2013	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 2011 – 3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to ABS GFS manual and related Amendments. [AASB 1049]	May 2011	1 July 2012	
	AASB 2011 – 6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, 128 & 131]	July 2011	1 July 2013	
(ix)	AASB 10 – Consolidated Financial Statements  AASB 11 – Joint Arrangements  AASB 12 – Disclosure of Interests in Other Entities  AASB 127 – Separate Financial Statements AASB 128 – Investments in Associates and Joint Ventures  AASB 2011 – 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 131, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	August 2011	1 January 2013	Nil – None of these except for AASB 128, are expected to have significant application to the operations of the City.  With respect to AASB 128, where the City has an interest in a Joint Venture, the requirements of AASB 128 supersede those of the current Joint Venture Standard AASB 131. The new Standard more clearly defines the accounting treatment and disclosure in relation to it.  This is not expected to have a significant impact on the City.



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

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

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

(x)	AASB 13 – Fair Value Measurement	September 2011	1 January 2013	AASB 13 defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements.
	AASB 2011 – 8 Amendments to Australian Accounting Standards arising from AASB 13			AASB 13 requires: - Inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
	[AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]			- Enhanced disclosures regarding all assets and liabilities (including, but not limited to financial assets and financial liabilities) measured at fair value.
				AASB 13 will have particular relevance to the process of the City adopting fair value methodology in relation to its fixed assets as mandated from 1 July 2012. Apart from the changes in value in relation to assets to be revalued (which are mandated by legislation and not changes to the standard) it is not expected to significantly impact the City as the framework embodied in AASB 13 does not differ significantly from that which is present in existing Standards.
				The amendments to the legislation requires the phasing in of fair value in relation to fixed assets over the three years from 1 July 2012. It is not possible to estimate the likely amount of any revaluations.
(xi)	AASB 2011 - 9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	September 2011	1 July 2013	The main change embodied in this Standard is the requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.
	[AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]			It effects presentation only and is not expected to significantly impact the City.

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

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

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

(xii)	AASB 119 - Employee Benefits	September 2011	1 January 2013	The changes in relation to defined benefit plans contained in this standard are not expected to significantly impact the City nor are the changes to AASBs in relation to termination benefits.
	AASB 2010 - 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2011 - 8 and Interpretation 14]			
(xiii)	AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	September 2011	1 July 2013	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 2011 - 12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]	November 2011	1 January 2013	
	AASB 2011 - 13 Amendments to Australian Accounting Standards - Improvements to AASB 1049	December 2011	1 July 2012	

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

During the current year, the City 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 124  
AASB 1054  
AASB 2009 – 12  
AASB 2010 – 4  
AASB 2010 – 5  
AASB 2010 – 6  
AASB 2010 – 9  
AASB 2010 – 14  
AASB 2011 - 1

The standards adopted had a minimal effect on the accounting and reporting practices of the City as they were either not applicable, 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 2012**

**2. OPERATING REVENUES AND EXPENSES**

**(a) Net Result:**

	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>2010/11 Actual \$</b>
<b>(i) Charging as Expenses:</b>			
<b>Depreciation</b>			
<u><b>By Class</b></u>			
Infrastructure	8,374,941	6,035,688	6,027,187
Building	3,743,041	3,693,833	3,832,388
Mobile Plant	1,362,725	1,822,758	1,721,693
Plant & Equipment	1,340,146	1,284,649	1,316,109
Computer Equipment	489,591	323,285	545,831
Furniture & Fittings	239,194	224,667	242,974
	<b>15,549,638</b>	<b>13,384,880</b>	<b>13,686,183</b>
<b>Borrowing Costs Expense</b>	<b>327,520</b>	<b>239,519</b>	<b>374,775</b>
<b>Auditors Remuneration</b>	<b>16,240</b>	<b>25,700</b>	<b>24,780</b>
<b>(Profit)/Loss on Sale of Non-Current Assets</b>	<b>2,312,729</b>	<b>(4,952)</b>	<b>(250,520)</b>
<b>(ii) Crediting as Revenues</b>			
<b>Significant Revenue</b>			
General Purpose Funding*	<b>1,948,089</b>	-	<b>88,369</b>
Community Amenities <sup>#</sup>	<b>3,478,264</b>	-	<b>3,387,229</b>
This significant revenue relates to:			
*The appreciation in the face value of the City's investments			
(refer to Note 5 for further details)			
<sup>#</sup> The recognition of the City's interest in its Joint Venture with the			
SMRC (refer to Note 25 for further details)			
<b>Interest Earnings</b>			
<u><b>Investments</b></u>			
Reserve Funds	2,561,515	1,500,000	2,175,350
Other Funds	2,723,814	2,540,000	2,707,635
	<b>5,285,329</b>	<b>4,040,000</b>	<b>4,882,985</b>



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**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 Safety Service 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 2012**

**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 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 2012**

**4. CASH and CASH EQUIVALENTS**

	<b>2011/12 Actual \$</b>	<b>2010/11 Actual \$</b>
<b>(a) Current Assets</b>		
Cash on Hand	7,350	7,350
Cash at Bank (Includes 11am at call accounts)	5,876,801	2,807,414
Term Deposits, Bonds & Floating Rate Term Deposits (Investments less than 12 months to maturity or where readily convertible into cash)	61,735,327	52,167,864
<b>Cash and Cash Equivalents</b>	<b>67,619,478</b>	<b>54,982,629</b>
Investments (Available for Sale )*See Note 5	<b>544,668</b>	<b>5,131,043</b>
	<b>68,164,146</b>	<b>60,113,671</b>
<b>Represented by</b>		
Restricted Funds	53,344,292	48,785,957
Unrestricted Funds *See Note 12 & Note 13	14,819,854	11,327,714
	<b>68,164,146</b>	<b>60,113,671</b>
<b>(b) Restricted Funds</b>		
The following restrictions have been imposed by regulations or other externally imposed requirements:		
<b>(a) Reserve Funds</b>	53,344,292	44,213,776
<b>(b) Restricted Funds</b>	-	4,572,181
<b>Total Restricted Funds</b> *See Note 12 & Note 13	<b>53,344,292</b>	<b>48,785,957</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>1,657,368</b>	<b>794,225</b>
Grants which were carried forward from last year and expended during the reporting year	<b>794,225</b>	<b>1,600,321</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

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

<b>Non-Current Assets</b>	<b>2011/12 Actual \$</b>	<b>2010/11 Actual \$</b>
Units (10) held in Local Government House	230,645	230,645
Equity - SMRC Joint Venture	7,979,799	4,501,535
<b>Total Other Financial Assets</b>	<b>8,210,444</b>	<b>4,732,180</b>

Investments are made in accordance with the Western Australian Trustees Act 1962, Local Government Act 1995, Local Government (Financial Management) Regulations 1996, the Western Australian Trustees Amendment Act 1997 and the City's Investment Policy.

<b>Investments</b>	<b>2011/12 Actual \$</b>	<b>2010/11 Actual \$</b>
<b>Available For Sale - Financial Assets</b>	544,668	5,131,043
	<b>544,668</b>	<b>5,131,043</b>
<b>Available For Sale - Financial Assets</b>		
ADIs	-	3,460,825
CDOs	544,668	1,670,218
	<b>544,668</b>	<b>5,131,043</b>

Due to the lack of an active market for Collateralised Debt Obligation (CDO) investments and the ongoing uncertainty in world financial markets, the City has chosen to continue to take a very conservative approach when valuing its CDO investments at 30 June 2012.

CDO valuations shown in the accounts are based on the conservative values that were used as at 30 June 2009, being \$544,668.

CDO valuations for June 2012 received from CPG Research & Advisory (Council current independent financial adviser) are based on valuations available as at 30 June 2012. They show that the City's CDO investments had a current market value of \$4,349,050 against a face value of \$11,650,000 and the City's book value of \$544,668.

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

The City's entire holding of Authorised Deposit Taking Institutions (ADI) investments have been repurchased/repaid at their full face value by the issuing banks and no losses have been suffered as a result.

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**6. TRADE AND OTHER RECEIVABLES**

		<b>2011/12 Actual \$</b>	<b>2010/11 Actual \$</b>
<b>Current</b>			
Rates Outstanding		2,277,859	2,315,586
Sundry Debtors	2,041,938		
Less: Provision for Bad and Doubtful Debts	(6,280)	2,035,658	1,195,420
Goods and Services Tax Refund		637,925	227,337
Accrued Income		806,317	749,732
Loans - Clubs and Community Groups		298,672	283,938
		<b>6,056,430</b>	<b>4,772,013</b>
<b>Non-Current</b>			
Sundry Debtors		1,500,000	3,000,000
Deferred Rates - Pensioners *		1,183,480	1,181,528
Loans - Clubs and Community Groups		3,464,054	3,733,550
		<b>6,147,534</b>	<b>7,915,079</b>
* Amounts deferred by eligible pensioners in accordance with the Rates and Charges (Rebates and Deferments) Act 1992.			

**7. INVENTORIES AND OTHER ASSETS**

		<b>2011/12 Actual \$</b>	<b>2010/11 Actual \$</b>
<b>(a) INVENTORIES</b>			
Fuel and Materials at Cost		156,342	157,747
		<b>156,342</b>	<b>157,747</b>
<b>(b) OTHER ASSETS</b>			
Prepayments (Prepaid Expenses)		548,715	554,020
		<b>548,715</b>	<b>554,020</b>

**8. TRADE AND OTHER PAYABLES**

		<b>2011/12 Actual \$</b>	<b>2010/11 Actual \$</b>
<b>Current</b>			
Creditors		8,943,990	6,642,545
Accrued Interest		88,477	82,014
Accrued Salaries and Wages		1,060,326	868,506
Amounts Received in Advance		589,161	725,127
		<b>10,681,954</b>	<b>8,318,193</b>
<b>Non-Current</b>			
Bonds/Deposits		-	4,572,181
Creditors		2,115,034	290,769
		<b>2,115,034</b>	<b>4,862,950</b>

**9. PROVISIONS**

		<b>2011/12 Actual \$</b>	<b>2010/11 Actual \$</b>
<b>Current</b>			
Provision for Annual Leave		2,370,538	2,232,802
Provision for Long Service Leave		2,550,720	2,373,039
		<b>4,921,258</b>	<b>4,605,842</b>
<b>Non-Current</b>			
Provision for Long Service Leave		716,116	532,280
		<b>716,116</b>	<b>532,280</b>



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

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

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

	<b>2011/12 Actual \$</b>	<b>2010/11 Actual \$</b>
<b>Land</b>		
At Management Valuation	119,089,852	116,382,973
<b>Closing Written Down Value</b>	<b>119,089,852</b>	<b>116,382,973</b>
<b>Buildings</b>		
At Independent Valuation	121,370,326	120,896,658
less Accumulated Depreciation	(768)	(32,235,749)
<b>Closing Written Down Value</b>	<b>121,369,558</b>	<b>88,660,909</b>
<b>Plant and Equipment</b>		
At Cost	15,586,108	15,826,334
less Accumulated Depreciation	(8,356,036)	(7,740,107)
<b>Closing Written Down Value</b>	<b>7,230,072</b>	<b>8,086,227</b>
<b>Electronic Equipment</b>		
At Cost	527,981	559,562
less Accumulated Depreciation	(497,343)	(490,469)
<b>Closing Written Down Value</b>	<b>30,638</b>	<b>69,093</b>
<b>Furniture and Fittings</b>		
At Cost	3,803,326	3,466,262
less Accumulated Depreciation	(2,635,277)	(2,465,409)
<b>Closing Written Down Value</b>	<b>1,168,050</b>	<b>1,000,853</b>
<b>Computer Equipment</b>		
At Cost	5,515,935	5,157,975
less Accumulated Depreciation	(4,725,333)	(4,524,343)
<b>Closing Written Down Value</b>	<b>790,602</b>	<b>633,632</b>
<b>Property Improvements</b>		
At Management Valuation	1,369,156	1,375,523
less Accumulated Depreciation	(1,225,473)	(1,175,823)
<b>Closing Written Down Value</b>	<b>143,683</b>	<b>199,700</b>
<b>Mobile Plant</b>		
At cost	12,653,931	12,590,445
less Accumulated Depreciation	(7,708,574)	(6,851,478)
<b>Closing Written Down Value</b>	<b>4,945,357</b>	<b>5,738,967</b>
<b>Artworks</b>		
At Management Valuation	772,692	675,372
less Accumulated Depreciation	(13,029)	(13,029)
<b>Closing Written Down Value</b>	<b>759,663</b>	<b>662,343</b>
<b>Total Property, Plant and Equipment</b>		
At Cost or Management Valuation	280,689,308	276,931,104
less Accumulated Depreciation	(25,161,833)	(55,496,407)
<b>Closing Written Down Value</b>	<b>255,527,476</b>	<b>221,434,699</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

<b>(a) Property, Plant and Equipment and Infrastructure (continued)</b>		<b>2011/12 Actual \$</b>	<b>2010/11 Actual \$</b>
<b>Infrastructure - Roads</b>			
At Management Valuation		252,911,346	241,592,951
less Depreciation		(101,069,247)	(66,848,176)
<b>Closing Written Down Value</b>		<b>151,842,099</b>	<b>174,744,775</b>
<b>Infrastructure - Drains</b>			
At Management Valuation		114,163,156	114,714,782
less Depreciation		(62,848,222)	(61,776,525)
<b>Closing Written Down Value</b>		<b>51,314,934</b>	<b>52,938,257</b>
<b>Infrastructure - Footpath</b>			
At Management Valuation		49,136,602	48,192,097
less Depreciation		(19,299,005)	(15,879,366)
<b>Closing Written Down Value</b>		<b>29,837,597</b>	<b>32,312,731</b>
<b>Infrastructure - Parks</b>			
At Management Valuation		7,290,286	5,696,923
less Depreciation		(4,071,322)	(3,600,123)
<b>Closing Written Down Value</b>		<b>3,218,964</b>	<b>2,096,800</b>
<b>Infrastructure - Street Furniture</b>			
At Management Valuation		8,594,059	8,558,788
less Depreciation		(6,301,313)	(5,873,229)
<b>Closing Written Down Value</b>		<b>2,292,746</b>	<b>2,685,559</b>
<b>Infrastructure - Irrigation Systems</b>			
At Management Valuation		13,083,760	13,913,567
less Depreciation		(7,093,192)	(7,109,056)
<b>Closing Written Down Value</b>		<b>5,990,568</b>	<b>6,804,511</b>
<b>Total Infrastructure</b>			
At Cost or Management Valuation		445,179,209	432,669,108
less Accumulated Depreciation		(200,682,301)	(161,086,475)
<b>Closing Written Down Value</b>		<b>244,496,908</b>	<b>271,582,633</b>
<b>(b) Investment Property</b>			
		<b>2011/12 Actual \$</b>	<b>2010/11 Actual \$</b>
<b>Investment Property : Land</b>			
At Management Valuation		10,000,000	10,250,000
<b>Closing Written Down Value</b>		<b>10,000,000</b>	<b>10,250,000</b>
<b>Investment Property : Buildings</b>			
At Fair Value		345,000	345,000
less Accumulated Depreciation		(305,769)	(304,615)
<b>Closing Written Down Value</b>		<b>39,231</b>	<b>40,385</b>
<b>Total Investment Property</b>			
At Valuation		10,345,000	10,595,000
less Depreciation		(305,769)	(304,615)
<b>Closing Written Down Value</b>		<b>10,039,231</b>	<b>10,290,385</b>
<b>Total Property, Plant and Equipment and Infrastructure</b>			
At Valuation		736,213,517	720,195,212
less Depreciation		(226,149,903)	(216,887,497)
<b>Closing Written Down Value</b>		<b>510,063,614</b>	<b>503,307,717</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**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	-	-	-	-	-	-
Electronic Equipment	601	-	-	-	(601)	-
Land & Building	979,573	-	3,056,967	-	2,077,394	-
Investment Land	250,000	-	464,633	-	214,633	-
Mobile Plant and Vehicles	123,608	-	248,114	-	124,506	-
Property Improvement	264	-	-	-	(264)	-
Plant & Equipment	73,853	656,077	17,842	651,125	(56,011)	(4,952)
Furniture & Fittings	48,043	-	1,909	-	(46,133)	-
Computer Equipment	796	-	-	-	(796)	-
<b>Total</b>	<b>1,476,736</b>	<b>656,077</b>	<b>3,789,465</b>	<b>651,125</b>	<b>2,312,729</b>	<b>(4,952)</b>

**(d) Summary of Asset Movements**

	Balance as at 01/07/2011	Additions	Disposals	Revaluations, Transfers & Adjustments	Depreciation	Balance as at 30/06/2012
Artworks	662,343	97,320	-	-	-	759,663
Buildings	88,660,909	6,517,178	(449,898)	30,327,503	(3,686,134)	121,369,558
Computer Equipment	633,632	606,384	(796)	-	(448,618)	790,602
Drains	52,938,257	105,766	-	(295,046)	(1,434,043)	51,314,934
Electronic Equipment	69,093	3,120	(601)	-	(40,974)	30,638
Footpaths	32,312,731	943,212	-	(2,452,957)	(965,388)	29,837,597
Furniture & Fittings	1,000,853	454,433	(48,043)	-	(239,194)	1,168,050
Irrigation System	6,804,511	663,719	-	(779,264)	(698,399)	5,990,568
Land	116,382,973	3,306,879	(600,000)	-	-	119,089,852
Mobile Plant	5,738,967	692,723	(123,608)	-	(1,362,725)	4,945,357
Parks	2,096,800	1,657,206	-	(535,042)	-	3,218,964
Plant & Equipment	8,086,228	659,159	(3,527)	(171,643)	(1,340,146)	7,230,072
Property Improvement	199,700	-	(264)	-	(55,753)	143,683
Roads	174,744,775	10,473,051	-	(28,526,699)	(4,849,028)	151,842,099
Street Furniture	2,685,559	35,271	-	-	(428,084)	2,292,746
	<b>493,017,331</b>	<b>26,215,421</b>	<b>(1,226,736)</b>	<b>(2,433,148)</b>	<b>(15,548,485)</b>	<b>500,024,384</b>
Investment Property :						
Buildings	40,385	-	-	-	(1,154)	39,231
Land	10,250,000	-	(250,000)	-	-	10,000,000
	<b>10,290,385</b>	<b>-</b>	<b>(250,000)</b>	<b>-</b>	<b>(1,154)</b>	<b>10,039,231</b>
	<b>503,307,716</b>	<b>26,215,421</b>	<b>(1,476,736)</b>	<b>(2,433,148)</b>	<b>(15,549,638)</b>	<b>510,063,614</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 11/12 this has resulted in a net transfer from the asset revaluation reserve of \$30,327,503.

Buildings and playground equipment was also undertaken this year to ensure accuracy of the carrying value of the asset. The Building valuations was carried out by AVP valuers (Licence Number 44074). ValueFor 11/12 this has resulted in a net transfer to the asset revaluation reserve of \$32,760,651.

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**11. BORROWINGS**

	2011/12 Actual \$	2010/11 Actual \$
<b>Current</b>		
Borrowings - Current Portion	298,672	283,938
<b>Non-Current Loans</b>		
Borrowings - Non-Current Portion	3,464,054	3,733,550
<b>Total</b>	<b>3,762,726</b>	<b>4,017,488</b>

**(a) Details of Loan Liability**

Program / Sporting Body	Loan No	Principal 1 July 2011	(Loans Discharged) New Loans	Interest \$		Principal Repayment		Principal \$ 30 June 2012
				Budget	Actual	Budget	Actual	
<b>Recreation and Culture</b>								
Applecross Tennis Club	372	70,019	-	4,393	4,509	11,157	11,157	58,862
Kardinya Bowling Club	379	236,580	-	16,872	22,312	20,958	20,958	215,622
Melville Glades Golf Club	382	758,839	-	52,228	73,655	47,433	47,433	711,406
Melville Bowling Club	394	50,868	-	3,064	3,525	13,401	13,401	37,466
Leeming Sport Association	398	184,298	-	11,317	14,315	10,718	10,718	173,580
Tompkins Park Community and Recreational Association	399	391,415	-	11,807	23,498	5,939	5,939	385,476
Melville Hockey Club	400	182,114	-	10,703	12,278	15,843	15,843	166,271
Leeming Bowling & Recreation Club	403	115,465	-	7,046	9,842	5,718	5,718	109,747
Mt Pleasant Bowling Club	404	204,408	-	10,870	13,809	41,227	41,227	163,181
Bull Creek Tennis Club	406	73,143	-	4,122	4,318	3,359	3,359	69,785
Mt Pleasant Bowling Club	407	88,380	-	6,119	7,653	19,800	19,800	68,580
Kardinya Bowling Club	408	84,565	-	5,172	5,458	8,454	8,454	76,111
Leeming Bowling & Recreation Club	409	32,634	-	1,365	1,534	21,494	21,494	11,140
Brentwood Booragoon Football Club	410	13,693	-	677	731	6,660	6,660	7,033
Melville Glades Golf Club (17.5 years @ 6.00%)	411	1,531,067	-	92,021	129,231	51,405	51,405	1,479,662
<b>New Loan Raised</b>								
<b>Fremantle CBC Amateur Football Club (10 years @ 4.63%)</b>	412		30,000	-	853	-	1,196	28,804
- Installation of play floodlighting at Morris Buzacott Reserve								
- Loans taken out with WATC (Western Australia Treasury Corporation)								
<b>Total</b>		<b>4,017,489</b>	<b>30,000</b>	<b>237,776</b>	<b>327,520</b>	<b>283,566</b>	<b>284,762</b>	<b>3,762,726</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**12. RESERVES**

	2011/12 Actual \$	2011/12 Budget \$	2010/11 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 1 July 2011	77,273	-	73,919
Amount set aside during the year	-	-	-
Amount set aside during the year - Investment Earnings	3,575	-	3,354
Amount used during the year	-	-	-
Closing Balance 30 June 2012	80,848	-	77,273
<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 1 July 2011	89,368	19,573	85,489
Amount set aside during the year	-	-	-
Amount set aside during the year - Investment Earnings	4,134	1,209	3,879
Amount used during the year	-	-	-
Closing Balance 30 June 2012	93,502	20,782	89,368
<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 1 July 2011	594,399	369,195	363,724
Amount set aside during the year	170,803	74,235	209,420
Amount set aside during the year - Investment Earnings	31,450	22,808	21,255
Amount used during the year	-	-	-
Closing Balance 30 June 2012	796,652	466,238	594,399
<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 1 July 2011	14,408,404	3,245,079	11,683,593
Amount set aside during the year	-	-	2,594,881
Amount set aside during the year - Investment Earnings	535,084	200,475	578,822
Amount used during the year	(5,684,889)	-	(448,892)
Closing Balance 30 June 2012	9,258,599	3,445,554	14,408,404
<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 1 July 2011	437,645	393,165	775,537
Amount set aside during the year	75,312	-	-
Amount set aside during the year - Investment Earnings	21,989	24,289	26,914
Amount used during the year	-	(51,458)	(364,806)
Closing Balance 30 June 2012	534,946	365,996	437,645



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**12. RESERVES**

	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>2010/11 Actual \$</b>
<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 1 July 2011	2,342,290	455,382	2,170,963
Amount set aside during the year	650,000	650,000	650,000
Amount set aside during the year - Investment Earnings	93,809	28,133	100,121
Amount used during the year	(1,279,166)	(1,011,800)	(578,794)
Closing Balance 30 June 2012	1,806,933	121,715	2,342,290
<b>Land and Property Reserve</b>			
To be used to fund land and property purchases within the City of Melville.			
Opening Balance 1 July 2011	17,359,952	6,817,938	9,707,871
Amount set aside during the year	6,137,450	1,500,000	7,051,612
Amount set aside during the year - Investment Earnings	918,310	421,199	600,469
Amount used during the year	(1,158,396)	(201,500)	-
Closing Balance 30 June 2012	23,257,316	8,537,637	17,359,952
<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 July 2011	1,664,130	1,651,205	1,591,899
Amount set aside during the year	-	-	-
Amount set aside during the year - Investment Earnings	76,989	102,008	72,231
Amount used during the year	-	-	-
Closing Balance 30 June 2012	1,741,119	1,753,214	1,664,130
<b>Parking Facilities Reserve</b>			
To be used to fund the provision, refurbishment or improvement of parking facilities and equipment.			
Opening Balance 1 July 2011	107,033	23,440	102,387
Amount set aside during the year	-	-	-
Amount set aside during the year - Investment Earnings	4,477	1,448	4,646
Amount used during the year	(20,512)	-	-
Closing Balance 30 June 2012	90,998	24,888	107,033
<b>Plant Replacement Reserve</b>			
To be used to fund the purchase of replacement motor vehicles and plant, including waste collection trucks.			
Opening Balance 1 July 2011	4,552,773	3,236,731	3,460,764
Amount set aside during the year	2,000,000	2,000,000	2,000,000
Amount set aside during the year - Investment Earnings	243,971	199,959	177,771
Amount used during the year	(558,554)	(2,068,817)	(1,085,762)
Closing Balance 30 June 2012	6,238,190	3,367,873	4,552,773

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**12. RESERVES**

	2011/12 Actual \$	2011/12 Budget \$	2010/11 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 July 2011	2,433,245	2,029,790	1,859,625
Amount set aside during the year	1,694,137	490,000	478,388
Amount set aside during the year - Investment Earnings	73,095	125,397	95,232
Amount used during the year	(3,400,716)	-	
Closing Balance 30 June 2012	799,761	2,645,187	2,433,245
<b>Refuse Bins Reserve</b>			
To be used for the purchase and replacement of domestic refuse bins.			
Opening Balance 1 July 2011	987,948	412,909	866,680
Amount set aside during the year	170,000	170,000	170,000
Amount set aside during the year - Investment Earnings	44,655	25,509	41,143
Amount used during the year	(215,458)	(150,000)	(89,875)
Closing Balance 30 June 2012	987,145	458,418	987,948
<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 1 July 2011	4,273,823	1,895,733	4,284,959
Amount set aside during the year	1,022,679	-	-
Amount set aside during the year - Investment Earnings	204,667	117,115	189,867
Amount used during the year	(722,490)	(30,000)	(201,003)
Closing Balance 30 June 2012	4,778,679	1,982,848	4,273,823
<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 1 July 2011	3,393,126	1,834,019	3,935,199
Amount set aside during the year	1,017,720	110,191	795,356
Amount set aside during the year - Investment Earnings	166,662	113,302	162,571
Amount used during the year	(599,100)	-	(1,500,000)
Closing Balance 30 June 2012	3,978,408	2,057,512	3,393,126
<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 July 2011	2,473,678	1,896,279	1,902,264
Amount set aside during the year	1,247,611	450,000	474,339
Amount set aside during the year - Investment Earnings	138,647	117,149	97,075
Amount used during the year	(201,198)	-	-
Closing Balance 30 June 2012	3,658,738	2,463,428	2,473,678

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**12. RESERVES**

	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>2010/11 Actual \$</b>
<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 1 July 2011	7,107,645	-	9,819,536
Amount set aside during the year	6,347,792	-	7,107,645
Amount used during the year	(7,107,645)	-	(9,819,536)
Closing Balance 30 June 2012	6,347,792	-	7,107,645
<b>Summary Reserves</b>			
Opening Balance 1 July 2011	62,302,732	24,280,438	52,684,410
Amount set aside during the year	20,533,504	5,444,426	21,531,641
Amount set aside during the year - Investment Earnings	2,561,512	1,500,000	2,175,350
Amount used during the year	(20,948,124)	(3,513,575)	(14,088,668)
Closing Balance 30 June 2012	64,449,624	27,711,289	62,302,733
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	1,588,369	-	1,588,369
2011/12	6,983,625	-	-
<b>Net Reserves</b>	<b>53,344,292</b>	<b>27,711,289</b>	<b>44,213,776</b>
<b>Non-Cash Backed Reserves</b>			
<b>Asset Revaluation Reserve</b>			
Balance at beginning of reporting period	262,129,661	-	261,615,549
Revaluation of Assets	(2,433,148)	-	514,112
Balance at end of reporting period	259,696,513	-	262,129,661
<b>Total Non-Cash Backed-Reserves</b>	<b>259,696,513</b>	<b>-</b>	<b>262,129,661</b>
<b>Total Reserves</b>	<b>324,146,137</b>	<b>27,711,289</b>	<b>324,432,393</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 2012/13 net of new transfers are:

Unexpended Capital Works and Grants Reserve	\$ 6,347,792
Plant Replacement	\$ 3,593,983
Information Technology	\$ 1,265,464
Community Facilities (Melville Aquatic Fitness Centre)	\$ 203,412
Refuse Facilities	\$ 196,689
Refuse Bins	\$ 180,000
Community Surveillance & Security Service	\$ 75,312
<b>Total</b>	<b>\$ 11,862,652</b>

Fair value of investments at balance date has resulted in a realised gain of \$1,948,089 and realised loss of \$5,035,536 which have been transferred from Reserves. This had the effect of reducing the amount by which Reserves are short of being cash backed to \$11,105,332, being the amount of unrealised losses. 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 2012**

**13. TRUST ITEMS**

**(a) TRUST FUNDS**

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.

	<b>2011/12 Actual \$</b>	<b>2010/11 Actual \$</b>
<b>Deposits Held</b>		
Balance at beginning of reporting period	4,193,080	3,039,961
Amounts Received during reporting period	1,543,947	1,965,740
Amounts Paid during reporting period	(1,859,145)	(812,621)
<b>Balance at end of reporting period</b>	<b>3,877,882</b>	<b>4,193,080</b>
<b>Retention Monies</b>		
Balance at beginning of reporting period	-	39,471
Amounts Received during reporting period		-
Amounts Paid during reporting period		(39,471)
<b>Balance at end of reporting period</b>	<b>-</b>	<b>-</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	26,137	32,211
Amounts Received during reporting period	1,120	5,000
Amounts Paid during reporting period	(1,040)	(11,074)
<b>Balance at end of reporting period</b>	<b>26,217</b>	<b>26,137</b>
<b>BCITF and Builders Registration Levy</b>		
Balance at beginning of reporting period	256,364	462,328
Amounts Received during reporting period	601,553	590,180
Amounts Paid during reporting period	(672,080)	(796,145)
<b>Balance at end of reporting period</b>	<b>185,837</b>	<b>256,364</b>
<b>Total Trust Items</b>	<b>4,442,900</b>	<b>4,828,545</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**14. STATEMENT OF RATING INFORMATION**

**STATEMENT OF RATING INFORMATION**

<b>ACTUAL 2011/2012</b>									
<b>GENERAL RATE</b>					<b>MINIMUM RATE</b>				
	No. of Prop.	Rateable value \$	Rate in \$ Cents	Rate Yield \$	No.	Minimums Rateable Value \$	Min. \$	Yield \$	TOTAL \$
General Rate GRV									
Residential - Improved	32,733	669,689,752	4.845500	32,428,054	6,059	68,593,636	625.50	3,789,905	36,217,959
Residential - Unimproved	955	23,908,978	6.106650	1,474,997	184	1,505,286	625.50	115,092	1,590,089
	<b>33,688</b>	<b>693,598,730</b>		<b>33,903,051</b>	<b>6,243</b>	<b>70,098,922</b>		<b>3,904,997</b>	<b>37,808,048</b>
Commercial - Improved	1,311	201,596,792	5.572325	11,233,620	118	1,140,500	720.00	84,960	11,318,580
Commercial - Unimproved	11	750,789	5.572325	41,836	3	26,600	720.00	2,160	43,996
Strata Units	6	39,000	5.572325	2,173	50	102,414	330.00	16,500	18,673
	<b>1,328</b>	<b>202,386,581</b>		<b>11,277,630</b>	<b>171</b>	<b>1,269,514</b>		<b>103,620</b>	<b>11,381,250</b>
Rate Adjustments Interim Rates									49,189,297
									224,690
<b>Sub Total General Rate</b>									<b>49,413,987</b>
Specified Area Rate (Underground Power)	2,073	46,464,483	3.7200	1,688,638					1,688,638
<b>GRAND TOTAL</b>	<b>37,089</b>	<b>942,449,794</b>		<b>46,869,319</b>	<b>6,414</b>	<b>71,368,436</b>		<b>4,008,617</b>	<b>51,102,625</b>

<b>Actual 2011/2012</b>								<b>Property Type</b>	
<b>Property Type</b>		<b>Rate Assessments</b>		<b>Rateable Value</b>		<b>Rate Yield</b>			
	#	%	\$	%	\$	%			
Residential	39,931	96.38%	763,697,652	78.95%	37,808,048	76.86%		Residential	
Commercial	1,499	3.62%	203,656,095	21.05%	11,381,250	23.14%		Commercial	
	<b>41,430</b>	<b>100.00%</b>	<b>\$967,353,747</b>	<b>100.00%</b>	<b>\$49,189,297</b>	<b>100.00%</b>			

<b>BUDGET 2011/2012</b>									
<b>GENERAL RATE</b>					<b>MINIMUM RATE</b>				
	No. of Prop.	Rateable value \$	Rate in \$ Cents	Rate Yield \$	No.	Minimums Rateable Value \$	Min. \$	Yield \$	TOTAL \$
General Rate GRV									
Residential - Improved	32,661	668,671,662	4.845500	32,400,317	6,032	68,383,002	625.50	3,773,016	36,173,333
Residential - Unimproved	954	23,814,578	6.106650	1,450,967	186	1,551,186	625.50	116,343	1,567,310
	<b>33,615</b>	<b>692,486,240</b>		<b>33,851,284</b>	<b>6,218</b>	<b>69,934,188</b>		<b>3,889,359</b>	<b>37,740,643</b>
Commercial - Improved	1,303	201,189,995	5.572325	11,213,127	119	1,140,500	720.00	85,680	11,298,807
Commercial - Unimproved	11	750,789	5.572325	43,996	3	26,600	720.00	2,160	46,156
Strata Units	6	39,000	5.572325	2,173	50	102,414	330.00	16,500	18,673
	<b>1,320</b>	<b>201,979,784</b>		<b>11,259,296</b>	<b>172</b>	<b>1,269,514</b>		<b>104,340</b>	<b>11,363,636</b>
Rate Adjustments Interim Rates									49,104,279
									(32,930) 265,000
<b>Sub Total General Rate</b>									<b>49,336,349</b>
Specified Area Rate (Underground Power)	2,084	46,494,333	3.7200	1,601,229					1,601,229
<b>GRAND TOTAL</b>	<b>37,019</b>	<b>894,466,024</b>		<b>45,110,580</b>	<b>6,390</b>	<b>71,203,702</b>		<b>3,993,699</b>	<b>50,937,578</b>

<b>Budget 2011/2012</b>								<b>Property Type</b>	
<b>Property Type</b>		<b>Rate Assessments</b>		<b>Rateable Value</b>		<b>Rate Yield</b>			
	#	%	\$	%	\$	%			
Residential	39,833	96.39%	762,420,428	78.95%	37,740,643	76.86%		Residential	
Commercial	1,492	3.61%	203,249,298	21.05%	11,363,636	23.14%		Commercial	
	<b>41,325</b>	<b>100.00%</b>	<b>\$965,669,726</b>	<b>100.00%</b>	<b>\$49,104,279</b>	<b>100.00%</b>			

**DIFFERENTIAL RATING**

A differential rate loading of 26 per cent above the residential improved land rate was applied to residential unimproved (vacant) land. A differential rate loading of 17 per cent above the residential improved land rate was applied to commercial and industrial land. If the differential rates were not imposed, the rate in the dollar would be approximately 5.3241 cents with a minimum rate of \$657. 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 3% of the unimproved value of the land. When applied to residential land this results in the revenue generated from unimproved residential land being substantially less than if the same vacant land was improved to it's 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 is to obtain a fair income from unimproved land within the Municipal district.



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**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**

	<b>\$</b>
Major Prize - Westpac Banking Corporation Bonus Saver Account	<b>3,000</b>
Minor Prize - City of Melville Gym Memberships	<b>736</b>
Minor Prize - Matters of Taste Cooking Classes	<b>600</b>
Minor Prize - Stockland Bull Creek Shopping Centre Voucher	<b>500</b>
Minor Prize - Le Beau Day Spa Voucher	<b>500</b>
<b>Total</b>	<b>5,336</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 \$330.00. The value of this concession was \$19,500. A 100% concession from General Rates was granted to the Melville Glades Golf Club. The value of this concession was \$14,765.

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

	<b>Interest Rate %</b>	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>2010/11 Actual \$</b>
<b>Interest on Unpaid rates</b>	11	257,188	225,000	202,417
<b>Interest on Instalment Plan</b>	5.5	253,620	256,400	186,428
<b>Charges on Instalment Plan</b>		195,060	195,550	264,315

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 8 August 2011 to qualify for the early payment incentive prizes.

**Option 2** - Full amount of the rate notice payable by 22 August 2011.

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

1st Instalment	Due	22 August 2011
2nd Instalment	Due	24 October 2011
3rd Instalment	Due	3 January 2012
4th Instalment	Due	5 March 2012

**17. FEES & CHARGES**

<b>Program</b>	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>2010/11 Actual \$</b>
Governance	1,355,548	1,154,688	45,979
Law, Order and Public Safety	119,027	129,750	752,152
Health	208,291	185,360	202,380
Education and Welfare	16,390	9,042	331,589
Housing	59,412	65,290	70,124
Community Amenities	16,144,838	16,101,500	16,074,923
Recreation and Culture	7,751,317	7,777,302	7,373,447
Transport	2,180,204	2,078,408	194,416
Economic Services	-	-	2,319,893
Other Property and Services	53,184	43,000	-
<b>Total</b>	<b>27,888,212</b>	<b>27,544,340</b>	<b>27,364,903</b>

**CITY OF MELVILLE**  
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**18. SERVICE CHARGES**

	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>2010/11 Actual \$</b>
Community Security	2,001,927	2,004,175	2,019,517
Swimming Pool Inspections	228,675	229,000	217,041
Underground Power (Attadale South)	642,687	698,771	-
	<b>2,873,289</b>	<b>2,931,946</b>	<b>2,236,558</b>

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 security services as an allowable service charge.

<b>Community Security</b>			
<b>Revenue</b>			
Call Out/Alarm Response Fees	1,664	10,000	5,433
City of Melville Security Patrol Fees (\$48.50 per property 11/12)	1,999,659	1,994,175	1,998,912
Other Security Fees	605	-	280
Recoverable Works	-	-	14,892
	<b>2,001,927</b>	<b>2,004,175</b>	<b>2,019,517</b>
<b>Expenses</b>			
Employee Costs	(1,441,687)	(1,468,244)	(1,498,463)
Internal Allocations	(440,186)	(447,618)	(554,396)
Internal Recovery	(18,355)	(40,471)	30,146
Materials & Contracts	(26,387)	(97,300)	(38,855)
Other Expenditure	-	(2,000)	(322,755)
	<b>(1,926,616)</b>	<b>(2,055,633)</b>	<b>(2,384,323)</b>
Amount (set aside) / used	(75,312)	51,458	364,806
<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>Revenue</b>			
Building Application Fees	9,835	10,000	12,628
Swimming Pool Inspection Fees	218,840	219,000	204,413
	<b>228,675</b>	<b>229,000</b>	<b>217,041</b>
<b>Expenses</b>			
Employee Costs	(67,247)	(69,430)	(62,597)
Internal Allocations	(136,544)	(136,545)	(106,685)
Materials & Contracts	(17,986)	(55,225)	(15,387)
	<b>(221,777)</b>	<b>(261,200)</b>	<b>(184,670)</b>
<b>Net Result</b>	<b>6,898</b>	<b>(32,200)</b>	<b>32,372</b>
Amount (set aside) / used	(6,898)	-	-
<b>Net Swimming Pool - Surplus / (Deficit) #</b>	<b>-</b>	<b>(32,200)</b>	<b>32,372</b>

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

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**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>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>2010/11 Actual \$</b>
Operating Grants, Subsidies and Contributions	4,411,268	2,614,687	4,059,392
Non-Operating Grants, Subsidies and Contributions	2,671,076	2,118,657	2,327,279
	<b>7,082,344</b>	<b>4,733,344</b>	<b>6,386,671</b>

<b>By Program:</b>	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>2010/11 Actual \$</b>
Governance	15,788	4,000	57,442
General Purpose Funding	3,777,876	2,255,680	3,022,324
Law, Order, Public Safety	46,490	30,990	81,486
Health	-	-	9,916
Education & Welfare	316,988	112,750	605,820
Recreation and Culture	535,873	59,917	155,603
Transport	2,389,099	2,190,007	2,454,079
Other Property and Services	230	80,000	-
	<b>7,082,344</b>	<b>4,733,344</b>	<b>6,386,671</b>

**20. INVESTMENT REVENUE**

<b>Fund</b>	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>2010/11 Actual \$</b>
Interest Income - Reserve Funds	2,561,515	1,500,000	2,175,350
Interest Income - Other Funds	2,723,814	2,540,000	2,707,635
<b>Total Investment Revenue</b>	<b>5,285,329</b>	<b>4,040,000</b>	<b>4,882,985</b>

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

<b>Description</b>	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>2010/11 Actual \$</b>
Sitting Fees - Mayor	13,734	14,000	14,000
Sitting Fees - Councillors	84,000	84,000	84,000
Conference and Training - Elected Members	45,446	58,500	20,488
Allowances - Mayor	60,000	60,000	60,000
Allowances - Deputy Mayor	15,000	15,000	15,000
Allowances - Councillors	77,278	100,100	76,707
<b>Total</b>	<b>295,457</b>	<b>331,600</b>	<b>270,195</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.

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**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>2011/12</b>	<b>2010/11</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Contingent liability for additional Workers' Compensation Premium	<u>3,750,448</u>	<u>3,218,052</u>

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

**23. EMPLOYEE NUMBERS**

	<b>2011/12</b>	<b>2010/11</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	<u>479</u>	<u>485</u>

**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>2011/12</b>	<b>2010/11</b>
	<b>No. of</b>	<b>No. of</b>
	<b>Employees</b>	<b>Employees</b>
\$100,000 - \$109,999	2	0
\$110,000 - \$119,999	0	8
\$120,000 - \$129,999	5	6
\$130,000 - \$139,999	7	1
\$140,000 - \$149,999	2	2
\$150,000 - \$159,999	1	2
\$160,000 - \$169,999	4	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	0
\$220,000 - \$229,999	0	0
\$230,000 - \$239,000	0	0
\$240,000 - \$249,000	1	0

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**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 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 2012 is \$15,493,788 (unaudited).

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

	<b>2011/12</b>	<b>2010/11</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
The City's share in the net assets of the SMRC (excluding equity)	(unaudited) 7,979,799	(unaudited) 4,501,535
Equity Ratio	40.26%	38.99%

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

Current Assets	10,215,978	12,399,925
Non Current Assets	33,620,176	29,004,722
<b>Total Assets</b>	<b>43,836,155</b>	<b>41,404,648</b>
Current Liabilities	6,211,403	6,393,159
Non Current Liabilities	14,151,165	13,828,706
<b>Total Liabilities</b>	<b>20,362,568</b>	<b>20,221,865</b>
LESS: City of Melville's share of SMRC Loan Liability	15,493,788	16,681,247
<b>Net Assets</b>	<b>7,979,799</b>	<b>4,501,535</b>
Net Increase in Equity - SMRC Joint Venture	<b>3,478,264</b>	<b>3,387,229</b>



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**26. MAJOR LAND TRANSACTIONS**

	2011/12 Actual \$	2011/12 Budget \$	2010/11 Actual \$
<b>Purchase of 70 &amp; 72 Ogilvie Road and 3 Clive Street, Mt Pleasant</b>			
Operating Expenditure			
Purchasing Costs	(6,879)	-	-
Capital Expenditure			
Repayment	(3,300,000)	-	-
<b>Net Purchase Costs</b>	<b>(3,306,879)</b>	<b>-</b>	<b>-</b>
<b>Sale of 109 North Lake Road and 241 &amp; 243 Leach Highway, Willagee</b>			
Operating Expenditure			
Selling Costs	(36,054)	-	-
Capital Income			
Sale Proceeds	3,550,000	-	-
Capital Expenditure			
Net Book Value	(909,949)	-	-
<b>Profit / (Loss) on Sale</b>	<b>2,603,997</b>	<b>-</b>	<b>-</b>
<b>Sale of 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>-</b>	<b>-</b>	<b>(131,069)</b>
<b>Sale of 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>-</b>	<b>-</b>	<b>(183,496)</b>
<b>Sale of 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>-</b>	<b>-</b>	<b>(70,605)</b>
<b>Expected future Cash Flows</b>			
	2012/13 \$	2013/14 \$	2014/15 \$
Cash Inflows			
Sale Proceeds	1,500,000	1,500,000	-
Interest Proceeds	91,360	76,600	-
<b>Net Cash Flows</b>	<b>1,591,360</b>	<b>1,576,600</b>	<b>-</b>
Cash Outflows			
Repayment	500,000	500,000	500,000
<b>Net Cash Flows</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>

The net cash flows of all land transactions resulted in a net outflow of \$702,882.

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**27. SPECIFIED AREA RATE & SERVICE CHARGE**

<b>Specified Area Rate</b> <b>Attadale South Underground Power Project</b>	<b>2011/12</b> <b>Actual</b> <b>\$</b>	<b>2011/12</b> <b>Budget</b> <b>\$</b>	<b>2010/11</b> <b>Actual</b> <b>\$</b>
<b>OPERATING INCOME</b>			
Specified Area Rate - Attadale South Underground Power	1,688,638	1,601,229	4,451,878
Service Charge - Attadale South Underground Power	642,687	698,771	-
<b>Total Operating Income</b>	<b>2,331,325</b>	<b>2,300,000</b>	<b>4,451,878</b>
<b>OPERATING EXPENDITURE</b>			
Western Power - Attadale South Underground Power Cash Calls	(2,400,000)	(2,300,000)	(4,351,030)
<b>Total Operating Expenditure</b>	<b>(2,400,000)</b>	<b>(2,300,000)</b>	<b>(4,351,030)</b>
<b>Net Specified Area Rate - Surplus / (Deficit) to Carry Forward</b>	<b>(68,675)</b>	<b>-</b>	<b>100,848</b>

<b>Refuse Charges</b>	<b>2011/12</b>		
<b>Refuse Information</b>	<b>No.</b>	<b>Amount per Service</b>	<b>Yield \$</b>
Residential - Standard	34,180	374.00	12,802,496
Residential - Pensioner	4,860	334.00	1,804,370
Commercial - Standard	1,926	500.00	971,033
Commercial - Recycling - Weekly	191	400.00	73,755
Commercial Recycling - Fortnightly	137	200.00	26,423
Commercial - 1.5m Bulk Bin	1,086	48.55	52,720
Commercial - 3.0m Bulk Bin	2,871	63.55	162,613
Non Rateable	519	500.00	246,913
Residential Recycling - Fortnightly	48	100.00	4,800
Non Rateable Recycling - Weekly	58	400.00	22,867
Non Rateable Recycling - Fortnightly	40	200.00	7,000
Non Rateable Recycling - 660L	31	17.27	522
1100L Bulk Bin	105	26.63	2,796
	<b>46,052</b>		<b>16,178,308</b>

**28. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	<b>2011/12</b> <b>Actual</b> <b>\$</b>	<b>2011/12</b> <b>Budget</b> <b>\$</b>	<b>2010/11</b> <b>Actual</b> <b>\$</b>
Governance	974,886	1,066,800	613,430
General Purpose Funding	76,629	45,000	61,113
Law, Order, Public Safety	-	-	10,617
Education & Welfare	24,953	-	-
Community Amenities	79,826	150,000	88,572
Recreation and Culture	8,020,643	3,097,118	5,511,675
Transport	15,638,224	11,316,475	10,380,124
Other Property and Services	1,400,259	3,651,324	1,693,456
	<b>26,215,421</b>	<b>19,326,717</b>	<b>18,358,987</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**29. FINANCIAL RATIOS**

	2011/12	2010/11	2009/10	2008/09	2007/08
<b>FINANCIAL RATIOS</b>					
<b>Higher Better</b>					
Current Ratio	1.52:1	1.59:1	1.56:1	1.32:1	1.31:1
Untied Cash to Trade Creditors Ratio	1.66:1	1.93:1	2.62:1	1.2:1	1.25:1
<b>Lower Better</b>					
Debt Ratio (%)	3.70	3.83	3.47	3.56	3.36
Debt Service Ratio (%)	0.63	0.72	0.84	0.71	0.94
Gross Debt to Revenue Ratio (%)	3.88	4.37	5.15	5.32	6.42
Gross Debt to Economically Realisable Assets Ratio (%)	1.05	5.55	1.10	1.19	1.22
Outstanding Rates Ratio (%)	4.21	4.26	5.32	11.29	5.82
Rate Coverage Ratio (%)	50.02	54.91	51.48	48.33	50.97

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

**Current Ratio** - assesses the adequacy of working capital and the ability to satisfy short term obligations.

$$\frac{\text{Current assets minus restricted current assets}}{\text{Current liabilities minus liabilities associated with restricted assets}}$$

**Untied Cash to Trade Creditors Ratio** - assesses the sufficiency of cash available to honour creditors.

$$\frac{\text{Untied cash}}{\text{Unpaid trade creditors}}$$

**Debt Ratio** - identifies the exposure to debt by measuring the proportion of assets funded by creditors.

$$\frac{\text{Total liabilities}}{\text{Total assets}}$$

**Debt Service Ratio** - assesses the degree to which revenues are committed to the repayment of debt.

$$\frac{\text{Debt Service Cost (Principal & Interest)}}{\text{Available operating revenue}}$$

**Gross Debt to Revenue Ratio** - indicates what proportion of total revenue is available to repay the total debts.

$$\frac{\text{Gross debt}}{\text{Total revenue}}$$

**Gross Debt to Economically Realisable Assets Ratio** - indicates the proportion of non-infrastructure assets financed through debt.

$$\frac{\text{Gross debt}}{\text{Economically realisable assets}}$$

**Outstanding Rates Ratio** - assesses the impact of uncollected rates on liquidity and the adequacy of recovery effort excluding Pensioner deferred rates.

$$\frac{\text{Rates outstanding}}{\text{Rates collectable}}$$

**Rate Coverage Ratio** - assesses the degree of dependence on revenue from rates.

$$\frac{\text{Net rate revenue}}{\text{Operating revenue}}$$

**CITY OF MELVILLE**  
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**30. 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 Service 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>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>				
Cash and cash equivalents	67,619,478	54,982,629	67,619,478	54,982,629
Receivables	12,752,679	13,241,112	12,752,679	13,241,112
Available-for-sale financial assets	544,668	5,131,043	544,668	5,131,043
	<b><u>80,916,826</u></b>	<b><u>73,354,785</u></b>	<b><u>80,916,826</u></b>	<b><u>73,354,785</u></b>
<b>Financial Liabilities</b>				
Payables	12,796,988	13,181,143	12,796,988	13,181,143
Borrowings	3,762,726	4,017,489	3,019,692	2,722,768
	<b><u>16,559,714</u></b>	<b><u>17,198,631</u></b>	<b><u>15,816,679</u></b>	<b><u>15,903,911</u></b>

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 2011/12 financial year)

**CITY OF MELVILLE**  
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**30. 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 Service 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 2011/12 was 5.395% (5.51% for 2010/11).

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.

	<b>30-Jun-12</b>	<b>30-Jun-11</b>
	<b>\$</b>	<b>\$</b>
Impact of a 10% (*) movement in price of investments:		
- Equity	1,165,000	2,322,000
- Income Statement	1,165,000	2,322,000
Impact of a 1% (+) movement in interest rates on cash and investments:		
- Equity	681,641	601,137
- Income Statement	681,641	601,137

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**  
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**30. 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-12</b>	<b>30-Jun-11</b>
Percentage of Rates Outstanding to Rates Revenue excluding Pensioner Deferred Rates	4%	5%
Percentage of Rates Outstanding to Rates Revenue including Pensioner Deferred Rates	7%	7%
Percentage of Other Receivables		
- Current	99%	99%
- Overdue	1%	1%



**CITY OF MELVILLE**  
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**30. 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>2012</u></b>					
Payables	12,796,988	-	-	12,796,988	12,796,988
Borrowings	531,458	2,273,259	2,723,544	5,528,261	3,762,726
	<b><u>13,328,445</u></b>	<b><u>2,273,259</u></b>	<b><u>2,723,544</u></b>	<b><u>18,325,249</u></b>	<b><u>16,559,714</u></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>17,198,632</u></b>

**CITY OF MELVILLE**  
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**30. 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 2012</u></b>								
<b>Borrowings</b>								
<b>Fixed Rate</b>								
Debentures	298,672	305,434	309,969	269,199	250,825	2,335,287	3,769,387	5.82%
Weighted Average Effective Interest Rate	6.19%	6.50%	6.16%	6.15%	6.14%	5.67%		
<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%		



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