



City of  
**Melville**

# **Annual Financial Statements 2012 - 2013**







**CITY OF MELVILLE**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2013**  
**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 2013 are in my opinion properly drawn up to present fairly the financial position of the City of Melville at 30<sup>th</sup> June 2013 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.

Signed as authorisation of issue on the 31<sup>st</sup> day of October 2013.

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

# Annual Financial Statements 2012-2013



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## **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 2013 and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and 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 information and the Statement by Chief Executive Officer.

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

Management is responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal controls as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

#### **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 Council'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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 accounting bodies.

## **INDEPENDENT AUDITOR'S REPORT (Cont'd)**

### **Auditor's Opinion**

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

- (a) gives a true and fair view of the financial position of the City of Melville as at 30 June 2013 and of its financial performance for the year ended on that date; and
- (b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards.

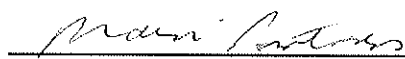
### **Report on Other Legal and Regulatory Requirements**


In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- (a) There are no matters that in our opinion indicate significant adverse trends in the financial position or financial management practices of the Council.
- (b) There are no matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- (c) The asset consumption ratio and the asset renewal funding ratio included in the annual financial report (Note 29 of the annual financial report) are supported by verifiable information and reasonable assumptions.
- (d) All necessary information and explanations were obtained by us.
- (e) All audit procedures were satisfactorily completed in conducting our audit.

### **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 2013 included on the City of Melville's website. Management 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 31<sup>ST</sup> DAY OF OCTOBER 2013.**





Date : 31 October 2013

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 2013**

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 2013, 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 2013 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 and Infrastructure**

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 2013 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 2013 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 2013 financial year.
34. Where the recorded carrying amount of any depreciable assets exceeds its recoverable amount as at 30 June 2013, that asset's recorded carrying amount has been written down to its recoverable amount.
35. Depreciation expense reported in the 2013 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
- 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
- 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;
- (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 2013**



**CITY OF MELVILLE**  
**STATEMENT of COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	Note	2012/13 Actual \$	2012/13 Budget \$	2011/12 Actual \$
<b>Revenue</b>				
Rates	14	52,526,896	52,530,050	51,102,625
Operating Grants, Subsidies and Contributions	19	3,674,091	2,840,977	4,411,268
Fees & Charges	17	29,050,922	28,418,003	27,888,212
Service Charges	18	8,313,029	8,377,761	2,873,289
Interest Earnings	2(a)	5,110,787	4,425,000	5,285,329
Other Revenue		4,095,793	2,560,237	3,531,497
		102,771,518	99,152,028	95,092,220
<b>Expenses</b>				
Employee Costs		(38,007,354)	(38,245,098)	(35,548,326)
Materials & Contracts		(24,945,966)	(25,676,733)	(24,981,572)
Utilities		(3,770,067)	(3,892,850)	(3,741,087)
Insurance		(1,464,121)	(1,425,170)	(1,273,442)
Depreciation	2(a)	(21,467,696)	(13,801,150)	(15,549,638)
Finance Costs	2(a)	(238,803)	(241,922)	(327,520)
Other Expenditure		(11,404,060)	(8,838,743)	(4,775,651)
		(101,298,066)	(92,121,666)	(86,197,236)
<b>Grants/Contributions for the Development of Assets</b>				
Non-Operating Grants, Subsidies and Contributions	19	3,262,202	2,334,292	2,671,076
		3,262,202	2,334,292	2,671,076
<b>Profit / (Loss) on Disposal of Assets</b>	10			
Profit on Asset Disposals		1,869,648	-	3,789,465
Loss on Asset Disposals		(5,003,515)	-	(1,476,736)
		(3,133,867)	-	2,312,729
<b>Other Revenue / (Expenses)</b>				
Investment Gains / (Losses)		6,022,160	-	1,948,089
Increase / (Decrease) in Equity - SMRC	25	(1,254,527)	-	3,478,264
		4,767,633	-	5,426,353
<b>NET RESULT</b>		<b>6,369,421</b>	<b>9,364,654</b>	<b>19,305,142</b>
<b>Other Comprehensive Income</b>				
Changes on Revaluation of Non-Current Assets	10	50,360,474	-	(2,433,148)
<b>Total Other Comprehensive Income</b>		<b>50,360,474</b>	<b>-</b>	<b>(2,433,148)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>56,729,895</b>	<b>9,364,654</b>	<b>16,871,994</b>

**CITY OF MELVILLE**  
**STATEMENT of COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	Note	2012/13 Actual \$	2012/13 Budget \$	2011/12 Actual \$
<b>Revenue</b>				
Governance		2,568,219	1,309,100	2,419,851
General Purpose Funding		67,787,301	66,374,470	62,020,516
Law, Order, Public Safety		2,527,449	2,511,781	2,386,918
Health		244,657	215,106	213,046
Education & Welfare		300,810	213,780	445,697
Housing		71,078	66,865	70,443
Community Amenities		16,484,597	16,669,400	16,222,446
Recreation and Culture		9,984,086	8,840,659	8,664,923
Transport		5,650,865	4,897,541	4,811,536
Other Property and Services		414,656	387,618	2,820,650
		106,033,720	101,486,320	100,076,026
<b>Expenses Excluding Finance Costs</b>				
Governance		(10,053,717)	(16,062,578)	(9,665,691)
General Purpose Funding		(6,554,199)	(6,575,980)	(2,993,703)
Law, Order, Public Safety		(3,660,689)	(3,723,487)	(3,425,922)
Health		(939,474)	(1,035,558)	(899,414)
Education & Welfare		(5,159,291)	(5,463,762)	(5,217,210)
Housing		(50,009)	(50,173)	(60,943)
Community Amenities		(19,166,048)	(19,172,687)	(17,089,852)
Recreation and Culture		(28,232,681)	(26,598,633)	(25,460,024)
Transport		(16,127,818)	(9,897,362)	(17,382,955)
Economic Services		(96,488)	(106,161)	(98,076)
Other Property and Services		(14,152,716)	(3,193,363)	(3,575,925)
		(104,193,130)	(91,879,744)	(85,869,717)
<b>Finance Costs</b>				
Recreation and Culture	2(a)	(238,803)	(241,922)	(327,520)
		(238,803)	(241,922)	(327,520)
<b>Other Revenue / Expenses</b>				
Investment Gains / (Losses)		6,022,160	-	1,948,089
Increase / (Decrease) in Equity - SMRC	25	(1,254,527)	-	3,478,264
		4,767,633	-	5,426,353
<b>NET RESULT</b>		<b>6,369,421</b>	<b>9,364,654</b>	<b>19,305,141</b>
<b>Other Comprehensive Income</b>				
Changes on Revaluation of Non-Current Assets	10	50,360,474	-	(2,433,148)
<b>Total Other Comprehensive Income</b>		<b>50,360,474</b>	<b>-</b>	<b>(2,433,148)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>56,729,895</b>	<b>9,364,654</b>	<b>16,871,993</b>



**CITY OF MELVILLE  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2013**

	Note	2012/13 Actual \$	2011/12 Actual \$
<b>Current Assets</b>			
Cash & Cash Equivalents	4	80,459,359	67,619,478
Investments	5	82,238	544,668
Trade & Other Receivables	6	7,225,330	6,056,431
Inventories	7	145,313	156,342
Other Assets	7	237,084	548,715
<b>Total Current Assets</b>		<b>88,149,324</b>	<b>74,925,634</b>
<b>Non Current Assets</b>			
Trade & Other Receivables	6	6,528,434	6,147,534
Property, Plant & Equipment	10	305,625,194	255,527,476
Infrastructure	10	237,413,828	244,496,908
Investment Property	10	11,688,077	10,039,231
Work in Progress		148,090	-
Other Financial Assets	5	6,955,917	8,210,444
<b>Total Non Current Assets</b>		<b>568,359,540</b>	<b>524,421,593</b>
<b>TOTAL ASSETS</b>		<b>656,508,863</b>	<b>599,347,227</b>
<b>Current Liabilities</b>			
Trade & Other Payables	8	10,841,009	10,681,955
Provisions	9	5,609,839	4,921,258
Borrowings	11	273,452	298,672
<b>Total Current Liabilities</b>		<b>16,724,300</b>	<b>15,901,885</b>
<b>Non Current Liabilities</b>			
Trade & Other Payables	8	1,625,836	2,115,034
Borrowings	11	3,435,740	3,464,054
Provisions	9	842,957	716,116
<b>Total Non Current Liabilities</b>		<b>5,904,533</b>	<b>6,295,204</b>
<b>TOTAL LIABILITIES</b>		<b>22,628,833</b>	<b>22,197,089</b>
<b>NET ASSETS</b>		<b>633,880,031</b>	<b>577,150,136</b>
<b>Equity</b>			
Retained Surplus		249,874,603	253,003,996
Reserves - Cash / Investment Backed	12	73,948,442	64,449,628
Reserves - Asset Revaluation	10	310,056,986	259,696,513
<b>TOTAL EQUITY</b>		<b>633,880,031</b>	<b>577,150,136</b>

**CITY OF MELVILLE  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2013**

	Note	RETAINED SURPLUS \$	RESERVES CASH/INVEST BACKED \$	RESERVES ASSET REVALUATION \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2011</b>		<b>235,845,749</b>	<b>62,302,733</b>	<b>262,129,661</b>	<b>560,278,142</b>
Net Result		19,305,142	-	-	19,305,142
Total Other Comprehensive Income Changes on Revaluation of Non- Current Assets		-	-	(2,433,148)	(2,433,148)
Funds to be (Set Aside) / Used	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>577,150,136</b>
Net Result		6,369,421	-	-	6,369,421
Total Other Comprehensive Income Changes on Revaluation of Non- Current Assets	10	-	-	50,360,473	50,360,473
Funds to be (Set Aside) / Used	12	(9,498,814)	9,498,814	-	-
<b>Balance as at 30 June 2013</b>		<b>249,874,603</b>	<b>73,948,442</b>	<b>310,056,986</b>	<b>633,880,031</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 2013**

	Note	2012/13 Actual \$	2012/13 Budget \$	2011/12 Actual \$
<b>Cash Flows from Operating Activities</b>				
<b>Receipts</b>				
Rates		51,858,472	52,530,050	51,138,400
Fees and Charges		29,808,075	30,080,643	27,047,975
Service Charges		8,313,029	8,792,761	2,873,289
Interest Earnings		3,821,942	4,374,732	5,228,744
Operating Grants, Subsidies and Contributions		3,674,091	2,840,977	4,411,268
Goods and Services Tax		5,236,079	-	3,759,367
Other Revenue		3,573,424	2,145,237	5,036,803
		106,285,111	100,764,401	99,495,846
<b>Payments</b>				
Employee Costs		(37,113,435)	(38,195,618)	(34,857,253)
Materials and Contracts		(25,353,389)	(25,509,837)	(21,527,775)
Utility Charges		(3,770,067)	(3,892,850)	(3,741,087)
Insurance Expenses		(1,464,121)	(1,425,170)	(1,273,442)
Interest Expenses		112,116	(380,045)	(545,501)
Goods and Services Tax		(5,289,296)	-	(4,169,955)
Other Expenditure		(11,893,258)	(8,838,743)	(7,523,568)
		(84,771,451)	(78,242,262)	(73,638,581)
<b>Net Cash Provided by Operating Activities</b>	28(ii)	<b>21,513,661</b>	<b>22,522,139</b>	<b>25,857,265</b>
<b>Cash Flows from Investing Activities</b>				
(Increase) / Decrease in Investments		6,484,590	-	6,534,464
Proceeds from Sale of Plant and Equipment	10	1,556,593	921,677	3,789,465
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets	19	3,262,202	2,334,292	2,671,076
Payments for Purchase of Property, Plant and Equipment	10	(7,602,709)	(7,492,845)	(11,751,516)
Payments for Construction of Infrastructure	10	(12,374,456)	(14,777,263)	(14,463,905)
<b>Net Cash Used in Investing Activities</b>		<b>(8,673,780)</b>	<b>(19,014,139)</b>	<b>(13,220,416)</b>
<b>Cash Flows from Financing Activities</b>				
Repayment of Debentures		(199,858)	-	-
Repayment of Self Supporting Loans		(513,819)	282,960	(284,762)
Proceeds from Self Supporting Loans		283,677	(282,400)	284,762
Proceed from New Debentures		430,000	-	-
<b>Net Cash Provided by (Used In) Financing Activities</b>		<b>-</b>	<b>560</b>	<b>-</b>
<b>Net Increase / (Decrease) in Cash Held</b>		<b>12,839,880</b>	<b>3,508,560</b>	<b>12,636,849</b>
Cash at Beginning of Year		67,619,478	54,195,625	54,982,629
<b>Cash and Cash Equivalents at the End of Year</b>	28(i)	<b>80,459,359</b>	<b>57,704,184</b>	<b>67,619,478</b>

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

**CITY OF MELVILLE  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2013**

	<b>2012/13 Actual \$</b>	<b>2012/13 Budget \$</b>	<b>2011/12 Actual \$</b>
<b>Revenue</b>			
Governance	2,568,219	1,309,100	2,419,851
General Purpose Funding	21,282,565	13,844,420	10,918,137
Law, Order, Public Safety	2,527,449	2,511,781	2,386,918
Health	244,657	215,106	213,046
Education & Welfare	300,810	213,780	445,697
Housing	71,078	66,865	70,443
Community Amenities	16,484,597	16,669,400	19,700,464
Recreation and Culture	9,984,086	8,840,659	8,664,923
Transport	5,650,865	4,897,541	4,811,536
Other Property and Services	414,656	387,618	2,820,650
	<b>59,528,984</b>	<b>48,956,270</b>	<b>52,451,665</b>
<b>Expenses</b>			
Governance	(11,308,244)	(10,698,225)	(9,665,691)
General Purpose Funding	(6,554,199)	(6,575,980)	(1,045,614)
Law, Order, Public Safety	(3,660,689)	(3,723,487)	(3,425,922)
Health	(939,474)	(1,035,558)	(899,414)
Education & Welfare	(5,159,291)	(5,463,762)	(5,217,210)
Housing	(50,009)	(50,173)	(60,943)
Community Amenities	(19,166,048)	(19,172,687)	(17,089,852)
Recreation and Culture	(28,471,484)	(26,840,555)	(25,787,545)
Transport	(16,127,818)	(9,897,362)	(17,382,955)
Economic Services	(96,488)	(106,161)	(98,076)
Other Property and Services	(14,152,716)	(8,557,716)	(3,575,925)
	<b>(105,686,459)</b>	<b>(92,121,666)</b>	<b>(84,249,147)</b>
<b>Adjustments for Cash Budget Requirements</b>			
<b>Non-Cash Revenue &amp; Expenditure</b>			
(Profit) / Loss on Asset Disposals	3,133,867	-	(2,312,729)
Depreciation on Assets	21,467,696	13,801,150	15,549,638
Plant Investment Provision	289,833	289,833	407,067
Investments Impaired / (Written Off)	(8,187,570)	-	(6,983,625)
(Increase) / Decrease in Equity - SMRC	1,254,527	-	(3,478,264)
Initial Recognition of Assets Due to Change to Regulations - Crown Land	(484,000)	-	-
Net Current Movement in Other Debtors / Creditors	(550,000)	-	-
Movement in Deferred Pensioner Rates/ESL (non-current)	(59,214)	-	176,014
Movement in Employee Benefit Provisions (non-current)	126,841	-	183,836
	<b>16,991,979</b>	<b>14,090,983</b>	<b>3,541,937</b>
<b>Capital Revenue &amp; Expenditure</b>			
Purchase of Furniture & Equipment	(1,884,789)	(1,773,225)	(1,694,852)
Purchase of Plant & Equipment	(2,642,618)	(3,039,047)	(684,324)
Purchase of Land & Buildings	(3,075,302)	(2,680,573)	(9,372,340)
Purchase of Infrastructure Assets	(12,403,487)	(14,777,263)	(14,463,905)
Work in Progress	(148,090)	-	-
Proceeds from Disposal of Assets	1,556,593	921,677	3,789,465
Proceeds from New Loan	430,000	-	30,000
Repayment of Debentures	(483,535)	(282,400)	(284,762)
Self-Supporting Loan Principal Revenue	53,534	282,960	284,762
Funds to be Set Aside	(23,314,514)	(18,278,189)	(16,747,226)
Funds to be Used	21,458,539	19,420,422	20,948,124
Carry Forward Reserve Transfers	(7,642,838)	(6,605,209)	(6,347,792)
	<b>(28,096,508)</b>	<b>(26,810,847)</b>	<b>(24,542,850)</b>
<b>ADD : Surplus/(Deficit) - July 1 B/Fwd</b>	<b>5,679,453</b>	<b>3,355,210</b>	<b>7,375,224</b>
<b>LESS : (Surplus)/Deficit - June 30 C/Fwd</b>	<b>(944,344)</b>	<b>-</b>	<b>(5,679,453)</b>
<b>Amount Required to be Raised from Rates</b>	<b>(52,526,896)</b>	<b>(52,530,050)</b>	<b>(51,102,625)</b>



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies which have been adopted in the preparation of this financial report of this financial report are presented below and have been consistently applied unless stated otherwise.

**(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 are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 2013**

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

**(f) Trades and Other Receivables**

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

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.

Gains and losses are recognised in the Statement of Comprehensive Income at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

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.

**Mandatory Requirement to Revalue Non-Current Assets**

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

(a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment: and

(b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -

(i) that are plant and equipment; and

(ii) that are -

(I) land and buildings; or

(II) infrastructure;

and

(c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

Thereafter, in accordance with the regulations, each asset class must be revalued at least every 3 years.

The City has commenced the process of adopting Fair Value in accordance with the Regulations. Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**Land Under Control**

In accordance with Local Government (Financial Management) Regulation 16 (a), the City is required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or regional significance.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with the other policies detailed in this Note.

Whilst they were initially recorded at cost, fair value at the date of acquisition was deemed cost as per AASB 116.

Consequently, these assets were initially recognised at cost but revalued along with other items of Land and Buildings at 30 June 2013.

**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 overheads.

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**

When performing a revaluation, the City uses a mix of both independent and management valuations using the following as a guide:

Revalued assets are carried at their fair value being the price that would be received to sell the asset, in an orderly transaction between market participants at the measurement date (Level 1 inputs in the fair value hierarchy).

For land and buildings, fair value will be determined based on the nature of the asset class. For land and non-specialised buildings, fair value is determined on the basis of observable open market values of similar assets, adjusted for conditions and comparability at their highest and best value (Level 2 inputs in the fair value hierarchy).

With regards to specialised buildings, fair value is determined having regard for current replacement cost and both observable and unobservable costs. These include construction cost based on recent contract prices, current condition (observable Level 2 inputs in the fair value hierarchy), residual values and remaining values and remaining useful life assessments (unobservable Level 3 inputs in the fair value hierarchy).

For infrastructure and other asset classes, fair value is determined to be the current replacement cost of an asset (Level 2 inputs in the fair value hierarchy) less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset (Level 3 inputs in the fair value hierarchy).

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 2013**

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

In addition, the amendments to the Financial Management Regulations mandating the use of Fair Value imposes a further minimum of 3 years revaluation. As a minimum, all assets carried at a revalued amount, will be revalued at least every 3 years.

**Transitional Arrangement**

During the time it takes to transition the carrying value of non-current assets from the cost approach to the fair value approach, the City may still be utilising both methods across differing asset classes.

Those assets carried at cost will be carried in accordance with the policy detailed in the **Initial Recognition** section as detailed above.

Those assets carried at fair value will be carried in accordance with the **Revaluation** Methodology section as detailed

**Early Adoption of AASB 13 - Fair Value Measurement**

Whilst the new accounting standard in relation to Fair Value, AASB 13 - Fair Value Measurement does not become applicable until the year ended 30 June 2014 (in relation to the City), given the legislative need to commence using Fair Value methodology for this reporting period, the City chose to early adopt AASB 13 (as allowed for in the standard).

As a consequence, the principles embodied in AASB 13 - Fair Value Measurement have been applied to this reporting period (year ended 30 June 2013).

Due to the nature and timing of the adoption (driven by legislation) the adoption of this standard has had no effect on previous reporting periods.

**Land Under Control**

In accordance with Local Government (Financial Management) Regulation 16(a), the City is required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or regional significance.

The City does have crown land which comes under this regulation.

**Land Under Roads**

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

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.

**Easements**

Regulation 16 of the Local Government (Financial Management) Regulations 1996 requires easements to be recognised as assets.

The City has determined that under AASB 138, easements are valued on an historical cost basis, because it is unlikely that an active market in easements exists to allow for fair value measurement. Due to acquisition of easements at NIL values, no easements have been included in the financial report.



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**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.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

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

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

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

***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. They are subsequently measured at fair value with changes to carrying amount being included in profit or loss.

***(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. Gains or losses are recognised in profit or loss.

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.

***(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. They are subsequently measured at amortised cost. Gains or losses are recognised in profit and loss.

Held-to-maturity financial assets are included in the current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

***(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.

They are subsequently measured at fair value with changes in such fair value (ie. Gains or losses) recognised in Other Comprehensive Income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in Other Comprehensive Income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

*(v) Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

**Impairment**

At the end of each reporting period, the City assesses whether there is objective evidence that a financial instrument has been impaired.

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial instruments, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, 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 loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

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.

**(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.



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(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 the City has present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and 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.

*Interpretation 115.4* 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.

**(r) Comparative Figures**

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

When the City applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, a Statement of Financial Position as at the beginning of the earliest period will be disclosed.

**CITY OF MELVILLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(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) Carbon Tax**

The council does not have a direct carbon price liability as it does not fall within the "Major Polluters" as defined by the Australian Government.

It will be impacted by the indirect flow-through of the carbon price via increased costs on its operations largely from costs increases in electricity, materials and waste disposal.

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

On the 28 July 2013, the Premier and the Minister for Local Government announced the Local Government Structural Reform and proposed amalgamations. 30 existing Metropolitan Local Governments will be reduced to 14.

Boundary changes/amalgamations to be effective from 1 July 2015.

All Metropolitan Local Governments are required to make a submission to the Local Government advisory board, by the 1 October 2013, on the Government's proposed amalgamations.

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(w) 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.
	AASB 2012 - 6 Amendments to Australian Accounting Standards - Mandatory effective date of AASB 9 and Transition Disclosures	September 2012	Deferred AASB 9 until 1 January 2015	
(ii)	AASB 2009 – 11 Amendments to Australian Accounting Standards arising from AASB 9	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).
	[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]			
(iii)	AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	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).
	[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]			



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

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

(iv)	AASB 10 – Consolidated Financial Statements	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.
	AASB 11 – Joint Arrangements			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.
	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			
(v)	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.

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

(vi)	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 2011 - 10 Amendments to Australian Accounting Standards arising from AASB 119			
	[AASB 1, 8, 101, 124, 134, 1049 & 2011 - 8 and Interpretation 14]			

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

(vii)	AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 32]	June 2012	1 January 2013	<p>Principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.</p> <p>This Standard is not expected to significantly impact on the City's financial statements.</p>
(viii)	AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	June 2013	1 January 2014	<p>This Standard adds application guidance to AASB 132: <i>Financial Instruments: Presentation</i> to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.</p> <p>This Standard is not expected to significantly impact the City's financial statements.</p>
(ix)	AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle . [AASB1,101,116,132,134 and Interpretation 2]	June 2012	1 January 2013	<p>Outlines changes to the various standards and interpretations as listed. These topics are not currently relevant to the City, nor are they expected to be in the future. As a consequence, this Standard is not expected to significantly impact on the City's financial statements.</p>
(x)	AASB 2012-10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments. [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Interpretation 12]	December 2012	1 January 2013	<p>Mainly consequential changes relating to transition guidance. It is not expected to have a significant impact on the City.</p>

**(x) 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 2010 - 8  
AASB 2011 - 3  
AASB 2011 - 13

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.

The City also chose to early adopt *AASB 13 – Fair Value Measurement* as allowed for in the standard. For further details with respect to this early adoption, refer to Note 1(h).

CITY OF MELVILLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013

**2. OPERATING REVENUES AND EXPENSES**

**(a) Net Result:**

	2012/13 Actual \$	2012/13 Budget \$	2011/12 Actual \$
<b>(i) Charging as Expenses:</b>			
<b>Depreciation</b>			
<b><u>By Class</u></b>			
Infrastructure	14,593,508	6,060,032	8,374,942
Building	3,540,087	3,720,595	3,743,041
Mobile Plant	1,217,572	2,046,330	1,362,725
Plant & Equipment	1,311,100	1,349,912	1,340,146
Computer Equipment	592,078	397,178	489,591
Furniture & Fittings	213,351	227,105	239,194
	<b>21,467,696</b>	<b>13,801,150</b>	<b>15,549,638</b>
<b>Borrowing Costs Expense</b>	<b>238,803</b>	<b>241,922</b>	<b>327,520</b>
<b>Auditors Remuneration</b>			
Audit of the Financial Report	19,280	19,500	20,840
Financial Management Review	-	-	17,922
Project / Acquittal Audits	2,600	-	4,400
<b>Profit / (Loss) on Sale of Non-Current Assets</b>	<b>(3,133,867)</b>	<b>-</b>	<b>2,312,729</b>
<b>(ii) Crediting as Revenues / (Expenses)</b>			
<b>Significant Revenue / (Expenses)</b>			
General Purpose Funding*	<b>6,022,160</b>	-	<b>1,948,089</b>
Community Amenities <sup>#</sup>	<b>(1,254,527)</b>	-	<b>3,478,264</b>
Recreation and Culture <sup>`</sup>	<b>484,000</b>	-	-
This significant revenue / (expenses) 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 detail)			
<sup>`</sup> The initial recognition of Land under the City's control in accordance with amendments to the Financial Management Regulations			
<b>Interest Earnings</b>			
<b><u>Investments</u></b>			
Reserve Funds	3,277,697	2,100,000	2,561,515
Other Funds	1,833,090	2,325,000	2,723,814
	<b>5,110,787</b>	<b>4,425,000</b>	<b>5,285,329</b>



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**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 2013**

**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 2013**

**4. CASH and CASH EQUIVALENTS**

	2012/13 Actual \$	2011/12 Actual \$
<b>(a) Current Assets</b>		
Cash on Hand	7,450	7,350
Cash at Bank (Includes 11am at call accounts)	6,398,155	5,876,801
Term Deposits, Bonds & Floating Rate Term Deposits	74,053,754	61,735,327
Cash and Cash Equivalents	<b>80,459,359</b>	<b>67,619,478</b>
Investments (Available for Sale )*See Note 5	<b>82,238</b>	<b>544,668</b>
	<b>80,541,597</b>	<b>68,164,145</b>
<b>Represented by</b>		
Restricted Funds	71,030,679	53,344,292
Unrestricted Funds *See Note 12 & Note 13	9,510,918	14,819,853
	<b>80,541,597</b>	<b>68,164,146</b>
<b>(b) Restricted Funds</b>		
The following restrictions have been imposed by regulations or other externally imposed requirements:		
<b>(a) Reserve Funds</b>	71,030,679	53,344,292
<b>Total Restricted Funds</b> *See Note 12 & Note 13	<b>71,030,679</b>	<b>53,344,292</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>1,705,450</b>	<b>1,657,368</b>
Grants which were carried forward from last year and expended during the reporting year	<b>1,657,368</b>	<b>794,225</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

<b>Non-Current Assets</b>	<b>2012/13 Actual \$</b>	<b>2011/12 Actual \$</b>
Units (10) held in Local Government House	230,645	230,645
Equity - SMRC Joint Venture (Refer Note 24)	6,725,272	7,979,799
<b>Total Other Financial Assets</b>	<b>6,955,917</b>	<b>8,210,444</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>2012/13 Actual \$</b>	<b>2011/12 Actual \$</b>
<b>Available For Sale - Financial Assets</b>	82,238	544,668
	<b>82,238</b>	<b>544,668</b>
<b>Available For Sale - Financial Assets</b>		
CDOs	82,238	544,668
	<b>82,238</b>	<b>544,668</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 2013.

CDO valuations shown in the accounts are based on the conservative values that were used as at 30 June 2009, being \$82,238.

CDO valuations for June 2013 received from CPG Research & Advisory (Council current independent financial adviser) are based on valuations available as at 30 June 2013. They show that the City's CDO investments had a current market value of \$1,171,365 against a face value of \$3,000,000 and the City's book value of \$82,238.

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.



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**6. TRADE AND OTHER RECEIVABLES**

		<b>2012/13 Actual \$</b>	<b>2011/12 Actual \$</b>
<b>Current</b>			
Rates Outstanding		2,887,068	2,277,858
Sundry Debtors	534,785		
Less: Provision for Bad and Doubtful Debts	(6,280)	528,505	535,658
Other Debtors		750,000	1,500,000
Goods and Services Tax Refund		691,142	637,925
Accrued Income		2,095,162	806,317
Loans - Clubs and Community Groups		273,452	298,672
		<b>7,225,329</b>	<b>6,056,430</b>
<b>Non-Current</b>			
Other Debtors		1,850,000	1,500,000
Deferred Rates - Pensioners *		1,242,694	1,183,480
Loans - Clubs and Community Groups		3,435,740	3,464,054
		<b>6,528,434</b>	<b>6,147,535</b>
* Amounts deferred by eligible pensioners in accordance with the Rates and Charges (Rebates and Deferments) Act 1992.			

**7. INVENTORIES AND OTHER ASSETS**

		<b>2012/13 Actual \$</b>	<b>2011/12 Actual \$</b>
<b>(a) INVENTORIES</b>			
Fuel and Materials at Cost		145,313	156,342
		<b>145,313</b>	<b>156,342</b>
<b>(b) OTHER ASSETS</b>			
Prepayments (Prepaid Expenses)		237,084	548,715
		<b>237,084</b>	<b>548,715</b>

**8. TRADE AND OTHER PAYABLES**

		<b>2012/13 Actual \$</b>	<b>2011/12 Actual \$</b>
<b>Current</b>			
Trade Creditors		8,178,656	8,443,990
Other Creditors		500,000	500,000
Accrued Interest		83,449	88,477
Accrued Salaries and Wages		1,138,824	1,060,326
Amounts Received in Advance		940,080	589,161
		<b>10,841,008</b>	<b>10,681,955</b>
<b>Non-Current</b>			
Other Creditors		1,300,000	1,800,000
Creditors		325,836	315,034
		<b>1,625,836</b>	<b>2,115,034</b>

**9. PROVISIONS**

		<b>2012/13 Actual \$</b>	<b>2011/12 Actual \$</b>
<b>Current</b>			
Provision for Annual Leave		2,723,564	2,370,538
Provision for Long Service Leave		2,886,275	2,550,720
		<b>5,609,840</b>	<b>4,921,257</b>
<b>Non-Current</b>			
Provision for Long Service Leave		842,957	716,116
		<b>842,957</b>	<b>716,116</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

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

	<b>2012/13 Actual \$</b>	<b>2011/12 Actual \$</b>
<b>Land</b>		
At Independent Valuation	169,849,000	119,089,852
<b>Closing Written Down Value</b>	<b>169,849,000</b>	<b>119,089,852</b>
<b>Buildings</b>		
At Independent Valuation	119,136,280	121,370,326
less Accumulated Depreciation	(3,398,885)	(768)
<b>Closing Written Down Value</b>	<b>115,737,394</b>	<b>121,369,558</b>
<b>Crown Land</b>		
At Independent Valuation	484,000	-
<b>Closing Written Down Value</b>	<b>484,000</b>	<b>-</b>
<b>Plant and Equipment</b>		
At Independent Valuation	17,811,115	15,586,108
less Accumulated Depreciation	(8,992,954)	(8,356,036)
<b>Closing Written Down Value</b>	<b>8,818,161</b>	<b>7,230,072</b>
<b>Electronic Equipment</b>		
At Independent Valuation	422,609	527,981
less Accumulated Depreciation	(315,238)	(497,343)
<b>Closing Written Down Value</b>	<b>107,371</b>	<b>30,638</b>
<b>Furniture and Fittings</b>		
At Independent Valuation	3,786,344	3,803,327
less Accumulated Depreciation	(2,307,581)	(2,635,277)
<b>Closing Written Down Value</b>	<b>1,478,763</b>	<b>1,168,050</b>
<b>Computer Equipment</b>		
At Independent Valuation	5,211,188	5,515,935
less Accumulated Depreciation	(3,860,470)	(4,725,333)
<b>Closing Written Down Value</b>	<b>1,350,718</b>	<b>790,602</b>
<b>Property Improvements</b>		
At Independent Valuation	1,369,156	1,369,156
less Accumulated Depreciation	(1,273,430)	(1,225,473)
<b>Closing Written Down Value</b>	<b>95,726</b>	<b>143,683</b>
<b>Mobile Plant</b>		
At Independent Valuation	7,047,080	12,653,931
less Accumulated Depreciation	(340,710)	(7,708,574)
<b>Closing Written Down Value</b>	<b>6,706,370</b>	<b>4,945,357</b>
<b>Artworks</b>		
At Independent Valuation	1,010,720	772,692
less Accumulated Depreciation	(13,029)	(13,029)
<b>Closing Written Down Value</b>	<b>997,691</b>	<b>759,663</b>
<b>Total Property, Plant and Equipment</b>		
At Independent Valuation	326,127,492	280,689,308
less Accumulated Depreciation	(20,502,298)	(25,161,833)
<b>Closing Written Down Value</b>	<b>305,625,194</b>	<b>255,527,475</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

	<b>2012/13 Actual \$</b>	<b>2011/12 Actual \$</b>
<b>Infrastructure - Roads</b>		
At Management Valuation	253,987,012	252,911,346
less Depreciation	(107,496,530)	(101,069,247)
<b>Closing Written Down Value</b>	<b>146,490,482</b>	<b>151,842,099</b>
<b>Infrastructure - Drains</b>		
At Management Valuation	118,592,778	114,163,156
less Depreciation	(66,384,427)	(62,848,222)
<b>Closing Written Down Value</b>	<b>52,208,351</b>	<b>51,314,934</b>
<b>Infrastructure - Footpath</b>		
At Management Valuation	50,726,377	49,136,602
less Depreciation	(22,032,928)	(19,299,005)
<b>Closing Written Down Value</b>	<b>28,693,449</b>	<b>29,837,597</b>
<b>Infrastructure - Parks</b>		
At Management Valuation	7,295,157	7,290,286
less Depreciation	(4,921,419)	(4,071,322)
<b>Closing Written Down Value</b>	<b>2,373,738</b>	<b>3,218,964</b>
<b>Infrastructure - Street Furniture</b>		
At Management Valuation	8,634,073	8,594,059
less Depreciation	(6,707,833)	(6,301,313)
<b>Closing Written Down Value</b>	<b>1,926,240</b>	<b>2,292,746</b>
<b>Infrastructure - Irrigation Systems</b>		
At Management Valuation	13,454,240	13,083,760
less Depreciation	(7,732,672)	(7,093,192)
<b>Closing Written Down Value</b>	<b>5,721,568</b>	<b>5,990,568</b>
<b>Total Infrastructure</b>		
At Valuation	452,689,637	445,179,209
less Accumulated Depreciation	(215,275,809)	(200,682,301)
<b>Closing Written Down Value</b>	<b>237,413,828</b>	<b>244,496,908</b>
<b>(b) Investment Property</b>		
	<b>2012/13 Actual \$</b>	<b>2011/12 Actual \$</b>
<b>Investment Property : Land</b>		
At Independent Valuation	11,650,000	10,000,000
<b>Closing Written Down Value</b>	<b>11,650,000</b>	<b>10,000,000</b>
<b>Investment Property : Buildings</b>		
At Independent Valuation	45,000	345,000
less Accumulated Depreciation	(6,923)	(305,769)
<b>Closing Written Down Value</b>	<b>38,077</b>	<b>39,231</b>
<b>Total Investment Property</b>		
At Independent Valuation	11,695,000	10,345,000
less Depreciation	(6,923)	(305,769)
<b>Closing Written Down Value</b>	<b>11,688,077</b>	<b>10,039,231</b>
<b>Total Property, Plant and Equipment and Infrastructure</b>		
At Valuation	790,512,129	736,213,517
less Depreciation	(235,785,030)	(226,149,903)
<b>Closing Written Down Value</b>	<b>554,727,098</b>	<b>510,063,614</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**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	-	-	-	-	-	-
Computer Equipment	1,721	-	-	-	(1,721)	-
Electronic Equipment	1,040	-	1,364	-	324	-
Furniture & Fittings	13,085	-	2,371	-	(10,715)	-
Investment Property Building	-	-	-	-	-	-
Land & Building	4,133,541	-	779,065	-	(3,354,476)	-
Mobile Plant and Vehicles	541,072	921,677	773,794	921,677	232,722	-
<b>Total</b>	<b>4,690,459</b>	<b>921,677</b>	<b>1,556,593</b>	<b>921,677</b>	<b>(3,133,866)</b>	<b>-</b>

**(d) Summary of Asset Movements**

	Balance as at 01/07/2012	Additions	Disposals	Revaluations, Transfers & Adjustments	Depreciation	Balance as at 30/06/2013
Artworks	759,663	238,028	-	-	-	997,691
Buildings	121,369,558	1,392,353	(3,533,541)	-	(3,490,976)	115,737,394
Computer Equipment	790,602	870,124	(1,721)	258,533	(566,821)	1,350,718
Crown Land	-	484,000	-	-	-	484,000
Drains	51,314,934	523,640	-	3,905,982	(3,536,205)	52,208,351
Electronic Equipment	30,638	72,818	(1,040)	30,211	(25,257)	107,371
Footpaths	29,837,597	899,181	-	690,594	(2,733,923)	28,693,449
Furniture & Fittings	1,168,050	172,347	(13,085)	364,802	(213,351)	1,478,763
Irrigation System	5,990,568	370,480	-	-	(639,480)	5,721,568
Land	119,089,852	2,237,522	(600,000)	49,121,626	-	169,849,000
Mobile Plant	4,945,357	2,644,527	(541,072)	875,130	(1,217,572)	6,706,370
Parks	3,218,964	2,200,926	-	(2,196,055)	(850,097)	2,373,738
Plant & Equipment	7,230,072	303,910	-	2,595,279	(1,311,100)	8,818,161
Property Improvement	143,683	-	-	-	(47,958)	95,726
Roads	151,842,099	8,011,295	-	(6,935,629)	(6,427,283)	146,490,482
Street Furniture	2,292,746	40,014	-	-	(406,520)	1,926,240
	<b>500,024,384</b>	<b>20,461,166</b>	<b>(4,690,459)</b>	<b>48,710,474</b>	<b>(21,466,542)</b>	<b>543,039,022</b>
Investment Property :						
Buildings	39,231	-	-	-	(1,154)	38,077
Land	10,000,000	-	-	1,650,000	-	11,650,000
	<b>10,039,231</b>	<b>-</b>	<b>-</b>	<b>1,650,000</b>	<b>(1,154)</b>	<b>11,688,077</b>
	<b>510,063,614</b>	<b>20,461,166</b>	<b>(4,690,459)</b>	<b>50,360,474</b>	<b>(21,467,696)</b>	<b>554,727,099</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 12/13 this has resulted in a net transfer from the asset revaluation reserve of \$4,535,108

Land and all plant equipment with a current asset cost threshold exceeding \$5,000, was undertaken this year to ensure accuracy of the carrying value of the asset. The valuations was carried out by AVP valuers (Licence Number 44074). Fair value for 12/13 has resulted in a net transfer to the asset revaluation reserve of \$45,825,366.

Crown land of Regional Significance was also also undertaken this year as part of the compliance with AASB13. The valuations was carried out by AVP valuers (Licence Number 44074). Fair value for 12/13 has resulted in an increase of \$484,000.



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**11. BORROWINGS**

	2012/13 Actual \$	2011/12 Actual \$
<b>Current</b>		
Borrowings - Current Portion	273,452	298,672
<b>Non-Current Loans</b>		
Borrowings - Non-Current Portion	3,435,740	3,464,054
<b>Total</b>	<b>3,709,192</b>	<b>3,762,726</b>

**(a) Details of Loan Liability**

Program / Sporting Body	Loan No	Principal 1 July 2012	(Loans Discharged) New Loans	Interest \$		Principal Repayment		Principal \$ 30 June 2013
				Budget	Actual	Budget	Actual	
<b>Recreation and Culture</b>								
Applecross Tennis Club	372	58,862	-	3,653	3,629	11,897	11,897	46,964
Kardinya Bowling Club	379	215,622	-	15,316	14,736	22,514	22,514	193,108
Melville Glades Golf Club	382	711,406	-	49,419	47,923	50,807	50,807	660,599
Melville Bowling Club	394	37,466	-	2,187	2,011	14,278	14,278	23,188
Leeming Sport Association	398	173,580	-	10,639	10,442	11,396	11,396	162,184
Tompkins Park Community and Recreational Association	399	385,476	-	23,078	22,706	12,415	12,415	373,061
Melville Hockey Club	400	166,271	-	9,751	9,594	16,795	16,795	149,476
Leeming Bowling & Recreation Club	403	109,747	-	6,692	6,536	6,072	6,072	103,675
Mt Pleasant Bowling Club	404	163,181	(141,717)	4,584	6,691	21,464	21,464	-
Bull Creek Tennis Club	406	69,785	-	3,928	3,918	3,553	3,553	66,232
Mt Pleasant Bowling Club	407	68,580	(58,141)	2,520	4,269	10,440	10,440	-
Kardinya Bowling Club	408	76,111	-	4,639	4,606	8,986	8,986	67,125
Leeming Bowling & Recreation Club	409	11,140	-	289	121	11,140	11,140	-
Brentwood Booragoon Football Club	410	7,033	-	304	250	7,033	7,033	-
Melville Glades Golf Club (17.5 years @ 6.00%)	411	1,479,662	-	88,891	87,493	54,536	54,536	1,425,126
Fremantle CBC Amateur Football Club	412	28,804	-	1,322	1,309	2,477	2,477	26,327
<b>New Loan Raised</b>								
<b>Mt Pleasant Bowling Club (10 years @ 3.80%)</b>	413	-	300,000	7,422	8,767	11,989	12,470	287,530
- Discharge Loan 404 and 407 and take up new loan.								
- Loans taken out with WATC (Western Australia Treasury Corporation)								
<b>Bull Creek Tennis Club (10 years @ 3.80%)</b>	414	-	130,000	2,969	3,799	4,795	5,404	124,596
- To replace four grassed tennis courts with synthetic tennis courts.								
- Loans taken out with WATC (Western Australia Treasury Corporation)								
<b>Total</b>		<b>3,762,726</b>	<b>230,142</b>	<b>237,603</b>	<b>238,803</b>	<b>282,587</b>	<b>283,677</b>	<b>3,709,192</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**12. RESERVES**

	2012/13 Actual \$	2012/13 Budget \$	2011/12 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 2012	80,848	-	77,273
Amount set aside during the year	-	-	-
Amount set aside during the year - Investment Earnings	-	-	3,575
Amount used during the year	(80,848)	-	-
Closing Balance 30 June 2013	-	-	80,848
<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 2012	93,502	-	89,368
Amount set aside during the year	-	-	-
Amount set aside during the year - Investment Earnings	5,064	-	4,134
Amount used during the year	-	-	-
Closing Balance 30 June 2013	98,566	-	93,502
<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 2012	796,652	712,467	594,399
Amount set aside during the year	109,136	-	170,803
Amount set aside during the year - Investment Earnings	46,098	35,907	31,450
Amount used during the year	-	(128,294)	-
Closing Balance 30 June 2013	951,886	620,080	796,652
<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 2012	9,258,599	4,232,676	14,408,404
Amount set aside during the year	2,395,000	2,395,000	-
Amount set aside during the year - Investment Earnings	479,569	175,689	535,084
Amount used during the year	(3,201,187)	(2,168,000)	(5,684,889)
Closing Balance 30 June 2013	8,931,981	4,635,365	9,258,599
<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 2012	534,946	418,461	437,645
Amount set aside during the year	76,438	-	75,312
Amount set aside during the year - Investment Earnings	31,040	21,089	21,989
Amount used during the year	-	(17,133)	-
Closing Balance 30 June 2013	642,424	422,417	534,946

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**12. RESERVES**

	<b>2012/13 Actual \$</b>	<b>2012/13 Budget \$</b>	<b>2011/12 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 2012	1,806,933	564,913	2,342,290
Amount set aside during the year	650,000	650,000	650,000
Amount set aside during the year - Investment Earnings	88,785	24,031	93,809
Amount used during the year	(984,949)	(989,000)	(1,279,166)
Closing Balance 30 June 2013	1,560,769	249,944	1,806,933
<b>Land and Property Reserve</b>			
To be used to fund land and property purchases within the City of Melville.			
Opening Balance 1 July 2012	23,257,316	19,167,824	17,359,952
Amount set aside during the year	2,872,430	1,500,000	6,137,450
Amount set aside during the year - Investment Earnings	1,321,966	943,638	918,310
Amount used during the year	(565,410)	-	(1,158,396)
Closing Balance 30 June 2013	26,886,302	21,611,462	23,257,316
<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 2012	1,741,119	1,786,852	1,664,130
Amount set aside during the year	-	-	-
Amount set aside during the year - Investment Earnings	94,290	90,053	76,989
Amount used during the year	-	-	-
Closing Balance 30 June 2013	1,835,409	1,876,905	1,741,119
<b>Parking Facilities Reserve</b>			
To be used to fund the provision, refurbishment or improvement of parking facilities and equipment.			
Opening Balance 1 July 2012	90,998	33,526	107,033
Amount set aside during the year	175,000	175,000	-
Amount set aside during the year - Investment Earnings	9,395	1,293	4,477
Amount used during the year	(10,012)	-	(20,512)
Closing Balance 30 June 2013	265,381	209,819	90,998
<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 2012	6,238,190	4,821,316	4,552,773
Amount set aside during the year	2,000,000	2,000,000	2,000,000
Amount set aside during the year - Investment Earnings	339,637	240,530	243,971
Amount used during the year	(1,933,228)	(2,013,306)	(558,554)
Closing Balance 30 June 2013	6,644,599	5,048,540	6,238,190

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**12. RESERVES**

	2012/13 Actual \$	2012/13 Budget \$	2011/12 Actual \$
<b>Cash &amp; Investment Backed Reserves</b>			
<b>Public Open Space Reserve</b>			
To be used to fund the purchase, development and re-development of public open space, parks and reserves or for debt servicing costs associated with any loan borrowings taken out for such purposes.			
Opening Balance 1 July 2012	799,761	1,790,779	2,433,245
Amount set aside during the year	2,730,384	2,332,305	1,694,137
Amount set aside during the year - Investment Earnings	56,294	88,439	73,095
Amount used during the year	(2,250,916)	(2,189,100)	(3,400,716)
Closing Balance 30 June 2013	1,335,523	2,022,423	799,761
<b>Recreation Centres Equipment Replacement Reserve</b>			
To be used to fund the replacement of Recreation Centres equipment to meet the requirements of the Recreation Equipment Asset Management Plan.			
Opening Balance 1 July 2012	-	-	-
Amount set aside during the year	350,000	350,000	-
Amount set aside during the year - Investment Earnings	6,224	-	-
Amount used during the year	(120,140)	(232,755)	-
Closing Balance 30 June 2013	236,084	117,245	-
<b>Refuse Bins Reserve</b>			
To be used for the purchase and replacement of domestic refuse bins.			
Opening Balance 1 July 2012	987,145	553,795	987,948
Amount set aside during the year	200,000	200,000	170,000
Amount set aside during the year - Investment Earnings	52,975	25,345	44,655
Amount used during the year	(217,862)	(180,000)	(215,458)
Closing Balance 30 June 2013	1,022,258	599,140	987,145
<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 and for the waste collection and disposal costs of waste associated with storm or disaster events.			
Opening Balance 1 July 2012	4,778,679	1,643,557	4,273,823
Amount set aside during the year	63,125	59,624	1,022,679
Amount set aside during the year - Investment Earnings	250,950	68,875	204,667
Amount used during the year	(352,645)	-	(722,490)
Closing Balance 30 June 2013	4,740,109	1,772,056	4,778,679
<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 2012	3,978,408	3,753,545	3,393,126
Amount set aside during the year	233,576	100,000	1,017,720
Amount set aside during the year - Investment Earnings	221,775	189,170	166,662
Amount used during the year	-	-	(599,100)
Closing Balance 30 June 2013	4,433,759	4,042,715	3,978,408



**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**12. RESERVES**

	2012/13 Actual \$	2012/13 Budget \$	2011/12 Actual \$
<b>Cash &amp; Investment Backed Reserves</b>			
<b>Infrastructure Asset Management Reserve</b>			
To be used to fund infrastructure asset management projects including the construction, maintenance and renewal of the City of Melville's road, path, kerbing, street furniture, park structures, playground, irrigation/reticulation and drainage infrastructure assets.			
Opening Balance 1 July 2012	3,658,738	3,889,455	2,473,678
Amount set aside during the year	8,181,729	6,416,260	1,247,611
Amount set aside during the year - Investment Earnings	273,636	195,941	138,647
Amount used during the year	(5,393,548)	(4,897,625)	(201,198)
Closing Balance 30 June 2013	6,720,555	5,604,031	3,658,738
<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 2012	6,347,792	6,605,209	7,107,645
Amount set aside during the year	7,642,838	-	6,347,792
Amount used during the year	(6,347,792)	(6,605,209)	(7,107,645)
Closing Balance 30 June 2013	7,642,838	-	6,347,792
<b>Summary Reserves</b>			
Opening Balance 1 July 2012	64,449,626	49,974,375	62,302,734
Amount set aside during the year	27,679,656	16,178,189	20,533,504
Amount set aside during the year - Investment Earnings	3,277,696	(4,505,209)	2,561,514
Amount used during the year	(21,458,537)	(12,815,213)	(20,948,124)
Closing Balance 30 June 2013	73,948,441	48,832,142	64,449,628
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	-	6,983,625
2012/13	8,187,570	-	-
<b>Net Reserves</b>	<b>71,030,679</b>	<b>48,832,142</b>	<b>53,344,296</b>

<b>Asset Revaluation</b>	<b>2012/13</b>
Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:	<b>\$</b>
<b>Land and Buildings</b>	
Revaluation Increment	50,771,626
<b>Plant and Equipment</b>	
Revaluation Increment	4,123,955
<b>Infrastructure Assets</b>	
Revaluation Increment	4,596,576
Revaluation Decrement	(9,131,684)
<b>Total Asset Revaluation Surplus</b>	<b>50,360,473</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**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>2012/13 Actual \$</b>	<b>2011/12 Actual \$</b>
<b>Deposits Held</b>		
Balance at beginning of reporting period	3,877,882	4,193,080
Amounts Received during reporting period	1,645,567	1,543,947
Amounts Paid during reporting period	(1,452,057)	(1,859,145)
<b>Balance at end of reporting period</b>	<b>4,071,392</b>	<b>3,877,882</b>
<b>Retention Monies</b>		
Balance at beginning of reporting period	-	-
Amounts Received during reporting period	-	-
Amounts Paid during reporting period	-	-
<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	(61,433)	-
<b>Balance at end of reporting period</b>	<b>291,531</b>	<b>352,964</b>
<b>Miscellaneous Trusts (Election Nomination, Rates and Charges, etc.)</b>		
Balance at beginning of reporting period	26,217	26,137
Amounts Received during reporting period	-	1,120
Amounts Paid during reporting period	-	(1,040)
<b>Balance at end of reporting period</b>	<b>26,217</b>	<b>26,217</b>
<b>BCITF and Builders Registration Levy</b>		
Balance at beginning of reporting period	185,838	256,364
Amounts Received during reporting period	1,135,626	601,553
Amounts Paid during reporting period	(1,134,853)	(672,080)
<b>Balance at end of reporting period</b>	<b>186,611</b>	<b>185,838</b>
<b>Total Trust Items</b>	<b>4,575,751</b>	<b>4,442,901</b>

**CITY OF MELVILLE**  
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**14. STATEMENT OF RATING INFORMATION**

**STATEMENT OF RATING INFORMATION**

	ACTUAL 2012/2013								
	GENERAL RATE				MINIMUM RATE				
	No. of Prop.	Rateable value \$	Rate in \$ Cents	Rate Yield \$	No.	Minimums Rateable Value \$	Min. \$	Yield \$	TOTAL \$
General Rate GRV									
Residential - Improved	32,962	678,116,527	5.096100	34,566,533	5,997	67,968,028	658.00	3,946,026	38,512,559
Residential - Unimproved	928	22,600,698	6.422400	1,451,972	196	1,602,396	658.00	128,968	1,580,940
	33,890	700,717,225		36,018,505	6,193	69,570,424		4,074,994	40,093,499
Commercial - Improved	1,335	202,932,148	5.964900	11,994,218	120	1,170,271	771.00	92,520	12,086,738
Commercial - Unimproved	14	986,339	5.964900	58,834	3	26,600	771.00	2,313	61,147
Strata Units	6	39,000		2,326	50	102,414	353.00	17,650	19,976
	1,355	203,957,487		12,055,378	173	1,299,285		112,483	12,167,861
									52,261,360
Interim Rates									265,537
Sub Total General Rate									52,526,897
Specified Area Rate (Underground Power)									-
GRAND TOTAL	35,245	904,674,712		48,073,883	6,366	70,869,709		4,187,477	52,526,897

Actual 2012/2013							Property Type
Property Type	Rate Assessments		Rateable Value		Rate Yield		
	#	%	\$	%	\$	%	
Residential	40,083	96.33%	770,287,649	78.96%	40,093,499	76.72%	Residential
Commercial	1,528	3.67%	205,256,772	21.04%	12,167,861	23.28%	Commercial
	41,611	100.00%	\$975,544,421	100.00%	\$52,261,360	100.00%	

	BUDGET 2012/2013								
	GENERAL RATE				MINIMUM RATE				
	No. of Prop.	Rateable value \$	Rate in \$ Cents	Rate Yield \$	No.	Minimums Rateable Value \$	Min. \$	Yield \$	TOTAL \$
General Rate GRV									
Residential - Improved	32,963	678,135,507	5.096100	34,557,178	5,997	67,968,028	658.00	3,946,026	38,503,204
Residential - Unimproved	928	22,600,698	6.422400	1,451,485	196	1,602,396	658.00	128,968	1,580,453
	33,891	700,736,205		36,008,663	6,193	69,570,424		4,074,994	40,083,657
Commercial - Improved	1,335	201,761,877	5.964900	12,034,860	120	1,170,271	771.00	92,520	12,127,380
Commercial - Unimproved	14	986,339	5.694900	58,834	3	26,600	771.00	2,313	61,147
Strata Units	6	39,000	5.594900	2,326	50	102,414	353.00	17,650	19,976
	1,355	202,787,216		12,096,020	173	1,299,285		112,483	12,208,503
									52,292,160
Interim Rates									237,890
Sub Total General Rate									52,530,050
Specified Area Rate (Underground Power)									-
GRAND TOTAL	35,246	903,523,421		48,104,683	6,366	70,869,709		4,187,477	52,530,050
Budget 2012/2013									
Property Type	Rate Assessments		Rateable Value		Rate Yield				
	#	%	\$	%	\$	%			
Residential	40,084	96.33%	770,306,629	79.06%	40,083,657	76.65%			
Commercial	1,528	3.67%	204,086,501	20.94%	12,208,503	23.35%			
	41,612	100.00%	\$974,393,130	100.00%	\$52,292,160	100.00%			

**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.

**CITY OF MELVILLE**  
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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>688</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>5,288</b>

**(c) Concessions**

A concession was granted to strata titled storage units of 18<sup>m2</sup> or smaller, whereby the minimum rate charged was \$353.00. 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**

	Interest Rate %	2012/13 Actual \$	2012/13 Budget \$	2011/12 Actual \$
<b>Interest on Unpaid rates</b>	11	305,367	250,000	257,188
<b>Interest on Instalment Plan</b>	5.5	231,440	260,000	253,620
<b>Charges on Instalment Plan</b>		184,899	195,120	195,060

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 2012 to qualify for the early payment incentive prizes.

**Option 2** - Full amount of the rate notice payable by 22 August 2012.

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

1st Instalment	Due	22 August 2012
2nd Instalment	Due	24 October 2012
3rd Instalment	Due	2 January 2013
4th Instalment	Due	5 March 2013

**17. FEES & CHARGES**

Program	2012/13 Actual \$	2012/13 Budget \$	2011/12 Actual \$
Governance	1,263,061	1,134,928	1,355,548
Law, Order and Public Safety	109,901	127,650	119,027
Health	240,940	211,466	208,291
Education and Welfare	14,693	8,144	16,390
Housing	57,602	66,865	59,412
Community Amenities	16,253,994	16,312,100	16,144,838
Recreation and Culture	8,880,883	8,433,392	7,751,317
Transport	2,177,439	2,078,458	2,180,204
Other Property and Services	52,409	45,000	53,184
<b>Total</b>	<b>29,050,922</b>	<b>28,418,003</b>	<b>27,888,212</b>



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

	<b>2012/13 Actual \$</b>	<b>2012/13 Budget \$</b>	<b>2011/12 Actual \$</b>
Community Security	2,111,831	2,092,236	2,001,927
Swimming Pool Inspections	262,041	266,225	228,675
Underground Power (Attadale South)	5,939,157	6,019,300	642,687
	<b>8,313,029</b>	<b>8,377,761</b>	<b>2,873,289</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>2012/13 Actual \$</b>	<b>2012/13 Budget \$</b>	<b>2011/12 Actual \$</b>
<b>Community Security</b>			
<b>Revenue</b>			
Call Out/Alarm Response Fees	1,854	-	1,664
City of Melville Security Patrol Fees (\$50.00 per property 12/13)	2,070,744	2,092,236	1,999,659
Other Security Fees	39,233	-	605
	<b>2,111,831</b>	<b>2,092,236</b>	<b>2,001,927</b>
<b>Expenses</b>			
Employee Costs	(1,526,703)	(1,537,059)	(1,441,687)
Internal Allocations	(427,439)	(455,811)	(440,186)
Internal Recovery	(44,871)	(48,105)	(18,355)
Materials & Contracts	(21,597)	(49,975)	(26,387)
Other Expenditure	(14,782)	(3,200)	-
	<b>(2,035,392)</b>	<b>(2,094,150)</b>	<b>(1,926,616)</b>
Amount (set aside) / used	(76,438)	17,133	(75,312)
<b>Net Community Security - Surplus / (Deficit) *</b>	<b>-</b>	<b>15,219</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>2012/13 Actual \$</b>	<b>2012/13 Budget \$</b>	<b>2011/12 Actual \$</b>
<b>Swimming Pool Inspections</b>			
<b>Revenue</b>			
Building Application Fees	43	10,000	9,835
Swimming Pool Inspection Fees	261,998	256,225	218,840
	<b>262,041</b>	<b>266,225</b>	<b>228,675</b>
<b>Expenses</b>			
Employee Costs	(73,707)	(72,080)	(67,247)
Internal Allocations	(152,449)	(152,447)	(136,544)
Materials & Contracts	(69,723)	(52,200)	(17,986)
	<b>(295,879)</b>	<b>(276,728)</b>	<b>(221,777)</b>
<b>Net Result</b>	<b>(33,838)</b>	<b>(10,503)</b>	<b>6,898</b>
Amount (set aside) / used	-	-	(6,898)
<b>Net Swimming Pool - Surplus / (Deficit) #</b>	<b>(33,838)</b>	<b>(10,503)</b>	<b>-</b>

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

**CITY OF MELVILLE**  
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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>2012/13 Actual \$</b>	<b>2012/13 Budget \$</b>	<b>2011/12 Actual \$</b>
Operating Grants, Subsidies and Contributions	3,674,091	2,840,977	4,411,268
Non-Operating Grants, Subsidies and Contributions	3,262,202	2,334,292	2,671,076
	<b>6,936,293</b>	<b>5,175,269</b>	<b>7,082,344</b>

<b>By Program:</b>	<b>2012/13 Actual \$</b>	<b>2012/13 Budget \$</b>	<b>2011/12 Actual \$</b>
Governance	294,855	4,000	57,442
General Purpose Funding	3,149,100	2,255,680	3,022,324
Law, Order, Public Safety	40,005	30,990	81,486
Health	-	-	9,916
Education & Welfare	133,975	112,750	605,820
Community Amenities	28,396	-	-
Recreation and Culture	149,587	59,917	155,603
Transport	3,140,375	2,190,007	2,454,079
Other Property and Services	-	80,000	-
	<b>6,936,293</b>	<b>4,733,344</b>	<b>6,386,671</b>

**20. INVESTMENT REVENUE**

<b>Fund</b>	<b>2012/13 Actual \$</b>	<b>2012/13 Budget \$</b>	<b>2011/12 Actual \$</b>
Interest Income - Reserve Funds	3,277,697	2,100,000	2,561,515
Interest Income - Other Funds	1,833,090	2,325,000	2,723,814
<b>Total Investment Revenue</b>	<b>5,110,787</b>	<b>4,425,000</b>	<b>5,285,329</b>

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

<b>Description</b>	<b>2012/13 Actual \$</b>	<b>2012/13 Budget \$</b>	<b>2011/12 Actual \$</b>
Sitting Fees - Mayor	14,000	14,000	13,734
Sitting Fees - Councillors	84,000	84,000	84,000
Conference and Training - Elected Members	18,353	61,750	45,446
Allowances - Mayor	60,000	60,000	60,000
Allowances - Deputy Mayor	15,000	15,000	15,000
Allowances - Councillors	79,149	98,900	77,278
<b>Total</b>	<b>270,502</b>	<b>333,650</b>	<b>295,457</b>

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

**CITY OF MELVILLE**  
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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 paid and the maximum premium payable.

	<b>2012/13 Actual</b>	<b>2011/12 Actual</b>
Contingent liability for additional Workers' Compensation Premium	\$ 3,963,407	\$ 3,750,448

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

**23. EMPLOYEE NUMBERS**

	<b>No. of</b>	<b>No. of</b>
The number of full-time equivalent employees at balance sheet date	465	479

**24. 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 43.9 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 2013 is \$14,904,152 (unaudited).

	<b>2012/13 Actual \$ (unaudited)</b>	<b>2011/12 Actual \$ (unaudited)</b>
The City's share in the net assets of the SMRC (excluding equity) Equity Ratio	6,725,272 38.18%	7,979,799 40.26%
Represented by Share of Joint Venture entity's Financial Position:		
Current Assets	6,447,323	10,215,978
Non Current Assets	30,378,737	33,620,176
<b>Total Assets</b>	<b>36,826,060</b>	<b>43,836,156</b>
Current Liabilities	4,859,582	6,211,403
Non Current Liabilities	10,337,054	14,151,165
<b>Total Liabilities</b>	<b>15,196,636</b>	<b>20,362,568</b>
LESS: City of Melville's share of SMRC Loan Liability	14,904,152	15,493,788
<b>Net Assets</b>	<b>6,725,272</b>	<b>7,979,799</b>
Net Increase / (Decrease) in Equity - SMRC Joint Venture	<b>(1,254,527)</b>	<b>3,478,264</b>

**CITY OF MELVILLE**  
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**25. MAJOR LAND TRANSACTIONS**

	2012/13 Actual \$	2012/13 Budget \$	2011/12 Actual \$
<b>Purchase of Lot 87, 58-60 Murray Road, Bicton</b>			
Operating Expenditure			
Purchasing Costs	2,205,115	-	-
Capital Expenditure			
Repayment	-	-	-
<b>Net Purchase Costs</b>	<b>2,205,115</b>	<b>-</b>	<b>-</b>
<b>Sale of 62 Murray Road, Bicton</b>			
Operating Expenditure			
Selling Costs	-	-	-
Capital Income			
Sale Proceeds	779,065	-	-
Capital Expenditure			
Net Book Value	(635,227)	-	-
<b>Profit / (Loss) on Sale</b>	<b>143,837</b>	<b>-</b>	<b>-</b>
<b>Purchase of 70 &amp; 72 Ogilvie Road and 3 Clive Street, Mt</b>			
Operating Expenditure			
Purchasing Costs	-	-	(6,879)
Capital Expenditure			
Repayment	-	-	(3,300,000)
<b>Net Purchase Costs</b>	<b>-</b>	<b>-</b>	<b>(3,306,879)</b>
<b>Sale of 109 North Lake Road and 241 &amp; 243 Leach</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>-</b>	<b>-</b>	<b>2,603,997</b>
<b>Expected future Cash Flows</b>	<b>2013/14 \$</b>	<b>2014/15 \$</b>	<b>2015/16 \$</b>
Cash Inflows			
Sale Proceeds	250,000	-	1,850,000
Interest Proceeds	123,940	-	-
<b>Net Cash Flows</b>	<b>373,940</b>	<b>-</b>	<b>1,850,000</b>
Cash Outflows			
Repayment	500,000	500,000	800,000
<b>Net Cash Flows</b>	<b>500,000</b>	<b>500,000</b>	<b>800,000</b>

The net cash flows of all land transactions resulted in a net outflow of \$2,348,952.



**CITY OF MELVILLE**  
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**26. SPECIFIED AREA RATE & SERVICE CHARGE**

<b>Specified Area Rate</b> <b>Attadale South Underground Power Project</b>	<b>2012/13</b> <b>Actual</b> <b>\$</b>	<b>2012/13</b> <b>Budget</b> <b>\$</b>	<b>2011/12</b> <b>Actual</b> <b>\$</b>
<b>OPERATING INCOME</b>			
Specified Area Rate - Attadale South Underground Power	-	-	1,688,638
Service Charge - Attadale South Underground Power	-	-	642,687
Specified Area Rate - Attadale North Underground Power	2,728,000	2,731,300	-
Specified Area Rate - Ardross West Underground Power	3,134,907	3,208,700	-
Specified Area Rate - Coolbellup East Underground Power	76,250	79,300	-
<b>Total Operating Income</b>	<b>5,939,157</b>	<b>6,019,300</b>	<b>2,331,325</b>
<b>OPERATING EXPENDITURE</b>			
Western Power - Attadale South Underground Power Cash Calls	-	-	(2,400,000)
Western Power - Attadale North Underground Power Cash Calls	(2,730,569)	(2,730,569)	-
Western Power - Ardross West Underground Power Cash Calls	(3,208,700)	(3,208,700)	-
Western Power - Coolbellup East Underground Power Cash Calls	(79,300)	(79,300)	-
<b>Total Operating Expenditure</b>	<b>(6,018,569)</b>	<b>(6,018,569)</b>	<b>(2,400,000)</b>
<b>Net Specified Area Rate - Surplus / (Deficit) to Carry Forward</b>	<b>(79,412)</b>	<b>731</b>	<b>(68,675)</b>

<b>Refuse Charges</b>	<b>2012/13</b>		
<b>Refuse Information</b>	<b>No.</b>	<b>Amount per Service</b>	<b>Yield \$</b>
Residential - Standard	34,140	379.00	12,939,060
Residential - Pensioner	5,154	339.00	1,747,206
Commercial - Standard	1,907	550.00	1,048,850
Commercial - Recycling - Weekly	185	440.00	81,400
Commercial Recycling - Fortnightly	131	220.00	28,820
Commercial - 1.5m Bulk Bin	1,086	53.40	57,992
Commercial - 3.0m Bulk Bin	2,871	69.90	200,683
Non Rateable	513	550.00	282,150
Residential Recycling - Fortnightly	48	100.00	4,800
Non Rateable Recycling - Weekly	58	440.00	25,520
Non Rateable Recycling - Fortnightly	37	220.00	8,140
Non Rateable Recycling - 660L	36	19.00	684
1100L Bulk Bin	105	29.30	3,077
	<b>46,271</b>		<b>16,428,382</b>

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

	<b>2012/13</b> <b>Actual</b> <b>\$</b>	<b>2011/12</b> <b>Actual</b> <b>\$</b>
Governance	395,060,628	381,229,831
Education & Welfare	175,831	325,882
Community Amenities	750,101	1,378,823
Recreation and Culture	50,533,730	50,623,370
Transport	4,667,511	2,484,948
Economic Services	213,691	213,691
Other Property and Services	205,107,371	163,090,681
	<b>656,508,863</b>	<b>599,347,227</b>

**CITY OF MELVILLE**  
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**28. 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>2012/13 Actual \$</b>	<b>2011/12 Actual \$</b>
Cash and Cash Equivalents	80,459,359	67,619,478
<b>Net Cash at End of Year</b>	<b>80,459,359</b>	<b>67,619,478</b>

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

<b>Net Result</b>	<b>6,369,421</b>	<b>19,305,142</b>
<b>Add / (Less) Non-Cash / Non-Operating Items</b>		
Depreciation	21,467,696	15,549,638
Plant Investment Provision	-	-
(Profit) / Loss on Sale of Assets	3,133,867	(2,312,729)
Asset Revaluation Adjustment (Unit in Local Govt House)	-	-
Grants & Contributions for the Development of Assets	(3,262,202)	(2,671,076)
Investments Unrealised (Gains) / Losses	(6,022,160)	(1,948,089)
Developer's contribution	-	-
(Increase) / Decrease in Equity - SMRC Joint Venture	1,254,527	(3,478,264)
Non-Current Assets recognised due to changes in	(484,000)	-
<b>Changes in Assets &amp; Liabilities During the Financial Year:</b>		
(Increase)/Decrease in Accrued Income	(1,288,846)	(56,585)
(Increase)/Decrease in Accrued Expenses	78,498	191,821
(Increase)/Decrease in Accrued Income Payable	350,919	(217,980)
(Increase)/Decrease in Current Receivables	119,947	(1,227,833)
(Increase)/Decrease in Non-Current Receivables	(380,900)	1,767,544
(Increase)/Decrease in Work in Progress	(148,090)	1,062,470
Increase/(Decrease) in Current Creditors	(295,581)	2,404,655
Increase/(Decrease) in Non-Current Creditors	(517,512)	(3,017,412)
(Increase)/Decrease in Inventory	11,028	1,405
Increase/(Decrease) in Provision for Employee Entitlements	815,421	499,253
(Increase)/Decrease in Prepayments	311,631	5,306
<b>Net Cash Provided by Operating Activities</b>	<b>21,513,662</b>	<b>25,857,265</b>

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**29. FINANCIAL RATIOS**

<b>FINANCIAL RATIOS</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
Current Ratio	1.150	1.520	1.590
Asset Sustainability Ratio	0.816	1.138	1.159
Debt Service Cover Ratio	38.367	44.236	36.087
Operating Surplus Ratio	0.029	0.167	0.148
Own Source Revenue Coverage Ratio	0.997	1.096	1.078

The above ratios are calculated as follows:

<b>Current Ratio</b>	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
<b>Asset Sustainability Ratio</b>	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}}$
<b>Debt Service Cover Ratio</b>	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
<b>Operating Surplus Ratio</b>	$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue}}$
<b>Own Source Revenue Coverage Ratio</b>	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

<b>ADDITIONAL RATIO INFORMATION</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
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The following information relates to these ratios which only require attestation they have been checked and are supported by verifiable information.

Asset Consumption Ratio	0.613	N/A	N/A
Asset Renewal Funding Ratio	1.000	N/A	N/A

The above ratios are calculated as follows:

<b>Asset Consumption Ratio</b>	$\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$
<b>Asset Renewal Funding Ratio</b>	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

N/A -In keeping with amendments to Local Government (Financial Management) Regulation 50, comparatives for the two preceding years (being 2012 and 2011) have not been reported as financial information is not available.

**CITY OF MELVILLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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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>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>				
Cash and cash equivalents	80,459,359	67,619,478	80,459,359	67,619,478
Receivables	13,990,846	12,752,679	13,990,846	12,752,679
Available-for-sale financial assets	82,238	544,668	82,238	544,668
	<b>94,532,444</b>	<b>80,916,826</b>	<b>94,532,444</b>	<b>80,916,826</b>
<b>Financial Liabilities</b>				
Payables	12,466,844	12,796,988	12,466,844	12,796,989
Borrowings	3,709,192	3,762,726	2,960,839	3,019,692
	<b>16,176,036</b>	<b>16,559,714</b>	<b>15,427,682</b>	<b>15,816,681</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 CDOs by the issuing banks at full/partial face value, during the 2012/13 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 2012/13 was 4.4086% (5.395% for 2011/12).

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-13</b>	<b>30-Jun-12</b>
	<b>\$</b>	<b>\$</b>
Impact of a 10% (*) movement in price of investments:		
- Equity	8,224	54,467
- Income Statement	8,224	54,467
Impact of a 1% (+) movement in interest rates on cash and investments:		
- Equity	805,416	681,641
- Income Statement	805,416	681,641

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 CDO 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-13</b>	<b>30-Jun-12</b>
Percentage of Rates Outstanding to Rates Revenue excluding Pensioner Deferred Rates	5%	4%
Percentage of Rates Outstanding to Rates Revenue including Pensioner Deferred Rates	8%	7%
Percentage of Other Receivables		
- Current	97%	99%
- Overdue	3%	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>2013</u></b>					
Payables	12,466,844	-	-	12,466,844	12,466,844
Borrowings	504,750	1,848,069	2,952,359	5,305,179	3,709,192
	<b><u>12,971,594</u></b>	<b><u>1,848,069</u></b>	<b><u>2,952,359</u></b>	<b><u>17,772,022</u></b>	<b><u>16,176,036</u></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>13,328,446</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>

**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 2013</u></b>								
<b>Borrowings</b>								
<b>Fixed Rate</b>								
Debentures	273,452	275,166	283,604	291,995	294,512	2,290,462	3,709,192	5.68%
Weighted Average Effective Interest Rate	6.24%	5.93%	5.91%	5.89%	5.52%	5.59%		
<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%		



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