

OUR FINANCIALS

Prepared in accordance with the *Local Government Act 1989*, Local Government (Finance and Reporting) Regulations 2004, and applicable Australian Accounting Standards.

Table of contents

FINANCIAL REPORT

Comprehensive income statement	108
Balance sheet	109
Statement of cash flows	110
Statement of changes in equity (consolidated)	111
Statement of changes in equity (council)	112

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Significant accounting policies	114
Note 2. Operating result attributable to functions/activities (consolidated)	122

REVENUE FROM ORDINARY ACTIVITIES

Note 3. Revenues from ordinary activities	124
---	-----

EXPENSES FROM ORDINARY ACTIVITIES

Note 4. Expenses from ordinary activities.....	127
--	-----

ASSETS

Note 5. Trade and other receivables.....	128
Note 6. Inventories.....	129
Note 7. Other financial assets – non current.....	129
Note 8. Other assets	129
Note 9. Property, plant, equipment and infrastructure	130
Note 10. Intangible assets	134
Note 11. Investment property.....	135

LIABILITIES

Note 12. Trade and other payables	136
Note 13. Employee benefits.....	137
Note 14. Provisions.....	138

EQUITY

Note 15. Reserves	138
-------------------------	-----

OTHER DISCLOSURES

Note 16. Gains/ (loss) on sale of fixed and intangible assets	140
Note 17. Cash flow information.....	141
Note 18. Leases and Commitments.....	142
Note 19. Contingent assets and liabilities	143
Note 20. Superannuation	144
Note 21. Related party transactions.....	147
Note 22. Financial instruments	149
Note 23. Financial ratios	159
Note 24. Events occurring after balance date.....	160
Statement by Councillors, Chief Executive and Principal Accounting Officer on the Financial Report.....	161
Auditor-General's report on the financial report	162

FINANCIAL REPORT

MELBOURNE CITY COUNCIL

Comprehensive income statement

For the year ended 30 June 2010

	Consolidated		Note	Council	
	2010 \$'000	2009 \$'000		2010 \$'000	2009 \$'000
Revenues from ordinary operations					
Rates	180,670	170,541	1(d),3(a)	180,670	170,541
Grants and other contributions	28,629	22,687	1(d),3(d)	28,462	22,494
Parking Fees	41,231	35,546	3(b)	38,002	32,486
Fines	42,588	43,326	1(d)	42,588	43,326
Property revenue	22,830	22,092		6,730	6,735
Other Fees & Charges	113,551	114,279		17,622	16,776
Intercompany Revenue	-	-		13,428	16,056
Finance Income	7,795	8,795	3(c)	7,008	9,095
Sales & Recoveries	15,438	17,673		6,499	7,515
	272,062	264,398		160,339	154,483
Total Revenue	452,732	434,939		341,009	325,024
Expenses from ordinary operations					
Employee benefit expense	153,890	141,557	4(a)	95,276	87,118
Contract Payments, Materials and Services	172,842	171,442	4(b)	136,055	131,483
Depreciation and amortisation	56,608	53,316	4(c)	46,625	43,885
Finance costs	13,579	12,321	4(d)	11,792	11,259
Other Expenses	20,802	19,794	4(e)	20,207	19,282
Total Expenses	417,721	398,430		309,955	293,027
Net gain/(loss) on disposal of property, plant & infrastructure	(153)	(2,647)	16	(321)	(2,349)
Contributed Assets	17,255	18,821	19(b)	17,255	18,821
Transfer assets to external parties	(74,496)	(23,475)		(74,496)	(23,475)
Profit/(loss)	(22,383)	29,208		(26,508)	24,994
Other Comprehensive Income					
Fair value adjustments for financial assets at fair value	388	(104)		389	(104)
Net asset revaluation increment(decrement)	178,889	(6,554)	15	176,152	1,568
Gain/(loss) on defined benefits plans	(904)	(14,136)		-	-
Comprehensive Result	155,990	8,414		150,033	26,458

The comprehensive income statement should be read with the accompanying notes to the financial report.

MELBOURNE CITY COUNCIL**Balance sheet**

As at 30 June 2010

	Consolidated		Note	Council	
	2010 \$'000	2009 \$'000		2010 \$'000	2009 \$'000
ASSETS					
Current Assets					
Cash and cash equivalents	115,105	111,470	17(b)	102,901	99,037
Trade and other Receivables	38,259	37,366	5	21,464	23,858
Accrued Income	3,872	3,106		2,761	1,926
Inventories	478	382	6	-	-
Other Financial Assets	14,664	14,275	7,17(b)	14,664	14,275
Other	893	826	8	4,646	4,633
Total Current Assets	173,271	167,425		146,436	143,729
Non-Current Assets					
Financial Assets	3,042	3,042	7	32,921	32,818
Intangible assets	14,256	13,498	10	4,405	3,647
Property, Plant and Infrastructure	2,791,768	2,659,254	9	2,725,319	2,598,941
Investment Property	96,896	89,446	11	96,896	89,446
Total Non-Current Assets	2,905,962	2,765,240		2,859,541	2,724,852
TOTAL ASSETS	3,079,233	2,932,665		3,005,977	2,868,581
LIABILITIES					
Current Liabilities					
Trade and Other Payables	47,029	53,940	12	29,141	43,671
Employee benefits	27,780	25,480	13(a)	19,434	18,115
Provisions	1,510	622	14	1,316	467
Total Current Liabilities	76,319	80,042		49,891	62,253
Non-Current Liabilities					
Interest Bearing Liability	1,000	7,500		-	-
Employee benefits	5,735	5,208	13(b)	3,908	3,656
Trade and other Payables	6,322	6,850	12(a)	6,322	6,850
Net Liability of City of Melbourne's Defined Benefits Superannuation Fund	11,157	10,355		-	-
Total Non-Current Liabilities	24,214	29,913		10,230	10,506
TOTAL LIABILITIES	100,533	109,955		60,121	72,759
NET ASSETS	2,978,700	2,822,710		2,945,856	2,795,822
Equity					
Accumulated Surplus	1,720,780	1,744,467		1,699,096	1,726,002
Reserves	1,257,920	1,078,243	15	1,246,760	1,069,820
TOTAL EQUITY	2,978,700	2,822,710		2,945,856	2,795,822

The balance sheet should be read with the accompanying notes to the financial report.

MELBOURNE CITY COUNCIL**Statement of cash flows**

For the year ended 30 June 2010

	Consolidated		Note	Council	
	2010 \$'000	2009 \$'000		2010 \$'000	2009 \$'000
Cash Flows from Operating Activities					
Receipts					
Rates, Fees and Charges (inclusive of GST)	415,282	393,511		298,654	281,802
Grants and Other Contributions (inclusive of GST)	30,518	23,961		30,334	23,768
Interest	7,668	8,758		6,881	7,887
Dividends Received	127	38		4,665	8,240
Tax equivalents	-	-		3,129	3,282
Other (including Sales & Recoveries) (inclusive of GST)	20,039	28,072		18,029	23,516
Payments					
Employee benefit expense	(149,900)	(128,745)		(93,384)	(85,670)
Materials and Services (inclusive of GST)	(227,032)	(218,414)		(194,158)	(189,096)
Other (inclusive of GST)	(4,281)	(4,381)		(3,686)	(3,571)
Net Cash provided by Operating Activities	92,421	102,800	17(a)	70,465	70,158
Cash Flows from Investing Activities					
Proceeds from sale of property, infrastructure, plant and equipment	932	1,420		932	1,420
Payments for property, infrastructure, plant and equipment	(77,374)	(97,167)		(63,483)	(77,973)
Investment in Sustainable Melbourne Fund	-	-		(102)	(1,170)
Joint Venture Payments	(570)	-		(570)	(580)
Loans to subsidiaries	-	-		-	111
Net Cash used by Investing Activities	(77,012)	(95,747)		(63,223)	(78,192)
Cash Flows from Financing Activities					
Proceeds from borrowings	(6,500)	(3,100)		-	-
Finance costs (inclusive of GST)	(4,885)	(12,794)		(2,989)	(2,026)
Net Cash used by Financing Activities	(11,385)	(15,894)		(2,989)	(2,026)
Net Increase/(decrease) in cash and cash equivalents	4,024	(8,841)		4,253	(10,060)
Cash and cash equivalents at beginning of the financial year	125,745	134,586		113,312	123,372
Cash and cash equivalents at end of the financial year	129,769	125,745	17(b)	117,565	113,312

The statement of cash flows should be read in conjunction with the accompanying notes to the financial report.

MELBOURNE CITY COUNCIL**Statement of changes in equity (consolidated)**

For the year ended 30 June 2010

Note	Total Equity		Accumulated Surplus		Asset Revaluation Reserve		Other Reserves	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of the financial year	2,822,710	2,814,296	1,744,467	1,729,144	1,076,829	1,083,383	1,414	1,769
Surplus/(deficit) for the year	(22,383)	29,208	(22,383)	29,208	-	-	-	-
Actuarial expense - City of Melbourne's Defined Benefits Superannuation Fund	(904)	(14,136)	(904)	(14,136)	-	-	-	-
Asset Revaluation	15 178,889	(6,554)	-	-	178,889	(6,554)	-	-
Reserve for Public Open Space	15 -	-	(400)	251	-	-	400	(251)
Investments Revaluation Reserve	15 389	(104)	-	-	-	-	389	(104)
Balance at end of the financial year	2,978,700	2,822,710	1,720,780	1,744,467	1,255,718	1,076,829	2,203	1,414

The statement of changes in equity (consolidated) should be read in conjunction with the accompanying notes to the financial report.

MELBOURNE CITY COUNCIL**Statement of changes in equity (council)**

For the year ended 30 June 2010

	Note	Total Equity		Accumulated Surplus		Asset Revaluation Reserve		Other Reserves	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of the financial year		2,795,822	2,769,366	1,726,003	1,700,758	1,068,406	1,066,839	1,414	1,769
Surplus/(deficit) for the year		(26,508)	24,994	(26,508)	24,994	-	-	-	-
Asset Revaluation	15	176,152	1,568	-	-	176,152	1,567	-	-
Reserve for Public Open Space	15	-	-	(400)	251	-	-	400	(251)
Investments Revaluation Reserve	15	389	(104)	-	-	-	-	389	(104)
Balance at end of the financial year		2,945,856	2,795,822	1,699,095	1,726,003	1,244,558	1,068,406	2,203	1,414

The statement of changes in equity (council) should be read in conjunction with the accompanying notes to the financial report.

NOTES TO THE FINANCIAL STATEMENTS

The Melbourne City Council is a body corporate constituted pursuant to the *Local Government Act 1989* to provide for the peace, order and good government of its municipal district. The Financial Report has been drawn up in accordance with that Act and related Regulations.

The purpose of the council is to:

- provide for the peace, order and good governance of its municipal district
- to promote the social, economic and environmental viability and sustainability of the municipal district
- to ensure that resources are used efficiently and effectively.

Principles to best meet the needs of the local community:

- to improve the overall quality of life of people in the local community
- to promote appropriate business and employment opportunities
- to ensure that services and facilities provided by the council are accessible and equitable
- to ensure the equitable imposition of rates and charges
- to ensure transparency and accountability in council decision making.

External Auditor - Victorian Auditor-General's Office

Internal Auditor - Deloitte Touche Tohmatsu

Solicitors - Hunt & Hunt, Mallesons Stephen Jaques, Blake Dawson, Maddocks

Banker - Westpac

Website address - www.melbourne.vic.gov.au

This financial report is a general purpose financial report that consists of a comprehensive income statement, balance sheet, statement of cash flows, statement of changes in equity, and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations, the *Local Government Act 1989*, and the Local Government (Finance and Reporting) Regulations 2004.

International financial reporting standards

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRS). This Financial Report complies with the Australian equivalents to IFRS (A-IFRS).

Note 1. Significant accounting policies

The significant policies, which have been adopted in the preparation of this Financial Report, are:

(a) Basis of preparation

The Financial Report has been prepared on the going concern basis and historical cost basis, except where otherwise stated, and accrual accounting principles. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Where appropriate, comparative figures have been amended to accord with current presentation and disclosure made of material changes to comparatives.

(b) Principles of consolidation

The consolidated results in the financial report include all funds through which the Melbourne City Council controls resources to carry on its functions. In the process of reporting on the Melbourne City Council as a consolidated unit, all intra and inter entity balances and transactions have been eliminated.

CityWide Service Solutions Pty Ltd, Queen Victoria Market Pty Ltd and Melbourne Wholesale Fish Market Pty Ltd are all wholly owned subsidiaries of the council incorporated in Australia and are included in the consolidated financial report.

The Sustainable Melbourne Fund Trust is a wholly controlled trust of the council and is included in the consolidated financial report.

(c) Taxation

Melbourne City Council is exempt from the payment of income tax and capital gains tax. Payments for Fringe Benefits Tax and Goods and Services Tax (GST) are made in accordance with the relevant legislation. Payments for payroll tax are only made by the trading entities controlled by the Melbourne City Council.

The wholly owned subsidiaries are subject to the Melbourne City Council's tax equivalent policy. Where the subsidiary is exempt from certain taxes it pays an equivalent of the tax to Melbourne City Council.

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. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(d) Fees, fines, charges, rates, grants, and other contributions

Fees and charges are recognised as revenue when services are provided or the cash is received, whichever occurs first.

Fines are recognised as revenue when the penalty is imposed.

Rates, grants, and other contributions are recognised as revenues when Melbourne City Council obtains control over the related assets. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates. Control over granted assets is normally obtained upon their receipt or upon prior written notification that a grant has been secured.

Where contributions recognised as revenues during the financial year were obtained on the condition that they be expended in a particular manner or used over a particular year, and those conditions were undischarged as at the reporting date, the nature of any amounts pertaining to those undischarged conditions are disclosed in Note 3(e). That note also discloses the amount of contributions recognised as revenues in previous financial years, which were expended in respect of Melbourne City Council's operations during the current financial year.

Tax equivalents and dividends from subsidiaries are recognised as income when received or amounts have been declared at the respective subsidiary companies board meeting.

Revenue arising from service contracts is recognised by reference to the stage of completion of the contract, unless the outcome of the contract cannot be reliably estimated. The stage of completion is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract. Administrative overheads are not included in the costs of the contract for this purpose. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

(e) Intangibles

(i) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. Fair value is defined in note 1(k)(ii). The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised, but tested for impairment annually.

(ii) Software

Software, that is not an integral part of the related hardware, is classified as intangibles, recorded at cost and amortised on a straight line basis over a five year period.

	Goodwill	Software
Useful lives	Indefinite	Finite
Method used	Not depreciated or revalued	5 Years – straight line
Internally generated/ acquired	Acquired	Acquired
Impairment test/ recoverable amount test	Reviewed annually for indication of impairment	Amortised method reviewed at each financial year-end; Reviewed annually for indication of impairment

(f) Employee benefits

Wages, Salaries, Annual and Long Service Leave

Liabilities for employees' entitlements to wages and salaries, annual leave, and other employee benefits which are expected to be paid or settled within 12 months of the balance date are accrued at nominal amounts calculated on the basis of 2009–10 wage and salary rates and payroll based on costs in accordance with AASB 119 'Employee Benefits'.

Liabilities for other Employee benefits which are not expected to be paid or settled within 12 months of the balance date are accrued as per AASB 119 at the present values of future amounts expected to be paid based on 4 per cent per annum projected weighted average increase in wage and salary rates and payroll based on costs over an average period of five years. Present values are calculated using the government guaranteed securities rates with similar maturity terms.

Superannuation

Council has an ongoing obligation to share in the future experience of the Melbourne City Council Superannuation defined benefits sub-plan. Favourable or unfavourable variations may arise should the experience of the Funds differ from the assumptions made by the Funds' actuary in estimating the Funds' accrued benefit liability.

An asset or liability is recognised in the consolidated financial statements as the council's share of the scheme's assets or liabilities, being the difference between the present value of employees' accrued benefits and the net market value of the scheme's assets at balance date. The asset also includes applicable contributions tax of 15 per cent.

Superannuation expense for the reporting year is the amount of statutory contribution Melbourne City Council makes to superannuation funds, which provides benefits to employees.

Details of these arrangements are set out in Note 20.

(g) Depreciation

Depreciation measures the service potential of buildings, infrastructure assets, plant and equipment consumed during the year. Interest in trees, land and artworks are not depreciated as they are considered to have either unlimited useful lives or to be self generating assets. Depreciation is recognised on a straight-line basis over the useful lives of the assets to the economic entity. Depreciation rates are reviewed each financial year. The depreciation periods for the major classes of assets are shown below represent the maximum useful life.

	2009–10	2008–09
Buildings	50 Years	50 Years
Roads & laneways - Seal	20 Years	20 Years
Roads & laneways - Substructure	90 Years	90 Years
Heritage Assets	100 Years	100 Years
Promenades and Wharves	100 Years	100 Years
Footpaths	50 Years	50 Years
Kerb & channel	50 Years	50 Years
Bridges	94 Years	94 Years
Drains	185 Years	185 Years
Plant & equipment	20 Years	20 Years
Furniture & fittings	10 Years	10 Years
Irrigation systems	20 Years	20 Years
Parks & gardens infrastructure	50 Years	50 Years
Statues, sculptures & artworks	100 Years	100 Years
Other structures	50 Years	50 Years

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

(h) Cash assets

For purposes of the balance sheet, cash and cash equivalents includes short term deposits, bank bills, negotiable certificates of deposit and fixed interest securities which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of bank overdrafts. Short-term deposits are stated at cost. Fixed interest securities are valued at net fair value. Interest is recognised when earned.

(i) Receivables and payables

Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. Receivables are generally settled within 30 days.

Trade creditors and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity. The amounts are unsecured and are usually paid within 30 days of recognition.

(j) Provision for doubtful debts

The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

No provision is made for rate debtors because the debts are collectable against the property.

(k) Property, plant, equipment and infrastructure

(i) Capital and recurrent expenditure

As a general rule, material expenditure incurred in the purchase or development of assets is capital expenditure. Expenditure necessarily incurred in either maintaining the operational capacity of the non-current asset or ensuring that the original life estimate of the asset is achieved, is considered maintenance expenditure and is treated as an expense as incurred. Items of a capital nature with a total value of less than \$2000 are treated as an expense.

(ii) Acquisition

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to their acquisition, including architectural and engineering fees and all other establishment costs.

The council's policy is to capitalise and depreciate individual capital expenditure over \$2000.

Fair value means the amount for which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction.

(iii) Construction work in progress

The cost of property, plant, equipment and infrastructure constructed by Melbourne City Council includes the cost of materials and direct labour and an appropriate proportion of overheads.

(iv) Leases

Melbourne City Council does not currently use any finance lease arrangements. In respect of operating leases, where the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased property, the payments are charged to expense over the lease term.

(v) Asset revaluation

All asset values not valued at Cost were reviewed and where necessary valued as at 30 June 2010. The net increase in the Asset Revaluation Reserve was \$176.152 million for the council and an increase of \$178.889 million for the economic entity in 2009–10 (refer to note 15).

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense, the increment is recognised as revenue.

(vi) Heritage assets

The maximum life for depreciation of Heritage assets is 100 years.

Revaluation decrements are recognised immediately as expenses, except that, to the extent that an increment balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

(vii) Valuation

All land and buildings are valued at fair value, being market value assuming the highest and best use permitted by the relevant land use planning provisions or existing public use whichever is the greater. Freehold land reserved for public open space is valued at a discount, being 20 per cent of market value, based on legal precedents.

All improvements on Crown land are valued on the basis of fair value, being either market value or written down replacement cost for special purpose buildings.

Infrastructure assets are valued at fair value, being replacement cost less accumulated depreciation.

(viii) Impairment

At each reporting date, the council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any shortfall of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement.

(I) Non-cash donations

Non-cash donations in excess of \$2000 value are recognised as revenue and as non-current assets at their fair value at date of receipt. Non-cash donations of less than \$2000 are not recognised where these are immaterial in total.

(m) Rounding

Unless otherwise stated, amounts in the Financial Report are rounded to the nearest thousand dollars.

(n) Web site costs

Costs in relation to web sites controlled by the Melbourne City Council are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit.

(o) Allocation between current and non-current

With the exception of employee entitlements, 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 realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the council's operational cycle.

For employee entitlements, long service leave entitlements for employees with over 10 years service and all annual leave entitlements are classified as current. Long service leave entitlements for employees with less than 10 years service is classified as non-current.

(p) Investment property

Investment property is held to generate long-term rental yields. All tenant leases are entered into at an arms length basis.

Investment property is carried at fair value, being market value assuming the highest and best use permitted by the relevant land use planning provisions or existing public use whichever is the greater. Valuation of investment properties at 30 June 2010 were determined by David Slicer Senior Valuer, Valuations Branch. Any changes to fair value are recorded in the comprehensive income statement. Investment properties are not depreciated.

(q) Pending Accounting Standards

The following Australian Accounting Standards have been issued or amended and are applicable to the council but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

<i>Standard / Interpretation</i>	<i>Summary</i>	<i>Applicable for annual reporting periods beginning or ending on</i>	<i>Impact on Local Government financial statements</i>
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	Some amendments will result in accounting changes for presentation, recognition or measurement purposes, while other amendments will relate to terminology and editorial changes.	Beginning 1 Jan 2010	Terminology and editorial changes. <u>Impact</u> - Now called Comprehensive Income Statement which has now been reflected in this report.
AASB 9 Financial Instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>).	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 "Financial Instruments" [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	This gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]	Amendment to Interpretation 14 arising from the issuance of <i>Prepayments of a Minimum Funding Requirement</i>	Beginning 1 Jan 2011	Expected to have no significant impact
AASB 2010-2 amendment of AASB 124 Related Party Disclosure	Changes to some disclosure requirements reporting on related parties for entities who qualify for reduced disclosure requirements.	Beginning 1 Jul 2013	Detail of impact is still being assessed.

(r) Critical accounting judgements and key sources of estimation uncertainty

In application of the council's accounting policies, council is required to make judgements, estimates and assumptions about carrying values of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods.

(s) Functional currency

The presentation currency of Melbourne City Council is the Australian dollar. The functional currency of each subsidiary throughout the council and the consolidated financial statements is also the Australian dollar.

Note 2. Operating result attributable to functions/activities (consolidated)

(a) Revenues, expenses have been attributed to the following functions

Functions/Activities		REVENUES	EXPENSES	Net Surplus /(Deficit) for the year
		\$'000	\$'000	\$'000
A Connected and Accessible City	2009	88,454	(105,891)	(17,437)
	2010	95,569	(110,729)	(15,160)
Innovative and Vital Business City	2009	2,080	(6,219)	(4,139)
	2010	2,039	(5,360)	(3,321)
Inclusive and Engaging City	2009	32,957	(94,451)	(61,494)
	2010	39,968	(100,897)	(60,930)
Environmentally Responsible City	2009	709	(20,713)	(20,004)
	2010	609	(20,940)	(20,331)
Well-managed and Leading Corporation	2009	12,641	(60,202)	(47,561)
	2010	12,588	(59,798)	(47,210)
Financially Responsible Corporation	2009	208,422	(32,794)	175,628
	2010	208,425	(87,980)	120,448
Subsidiaries	2009	109,915	(105,700)	4,215
	2010	111,717	(107,597)	4,120
TOTAL	2009	455,178	(425,970)	29,208
	2010	470,915	(493,302)	(22,384)

(b) A brief description of the goal of each function is as follows:

- A connected and accessible city – to ensure the city has accessible infrastructure and is connected to its immediate surrounds, the nation and the world.
- An innovative and vital business city – to ensure business development, job growth and gateway infrastructure is strengthened by intelligence, creativity and a progressive outlook.
- An inclusive and engaging city – to ensure a creative city with a strong cultural spirit, an inviting, inclusive and stimulating place for all who live, work and visit it.
- An environmentally responsible city – to ensure sustainable decision-making and environmental leadership increases and improves its natural assets.
- A well-managed and leading corporation – to ensure a well-managed and leading corporation recognised for its high-calibre staff, processes, products and interactions with stakeholders, the delivery of effective and accountable governance and business processes.
- A financially responsible corporation – to ensure long-term sustainability through strategic planning and well-managed finances and assets.

Subsidiaries include the following entities:

- CityWide Service Solutions Pty Ltd
To meet the contract service needs of local government, other governments, and private and public sector corporations by providing a comprehensive range of quality, physical services at competitive rates.
- Queen Victoria Market Pty Ltd
To ensure that the market maintains and enhances an industry reputation as Australia's foremost traditional market, whilst meeting world's best practice standards.
- Melbourne Wholesale Fish Market Pty Ltd
To ensure that the Market is operated as a fully commercial business serving the needs of the fishing industry and community.

It should be noted that Melbourne Wholesale Fish Market will cease operation on 31 Dec 2010. Refer to Note 19a for further details.

- Sustainable Melbourne Fund Trust
The Sustainable Melbourne Fund (SMF) is a self sustaining fund set up by Melbourne City Council which invests funds in projects with environmental benefits to the city. The projects may extend beyond the boundaries of Melbourne City Council to the broader state of Victoria, reflecting the position of Melbourne as the capital city of Victoria.

These entities support Melbourne City Council in providing services to the community.

Note 3. Revenues from ordinary activities

(a) Rates

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
General Rates				
Residential	52,216	50,359	52,216	50,359
Commercial and Retail	125,209	116,558	125,209	116,558
Cultural & Recreational Land Rates	357	341	357	341
Supplementary Rates	3,814	3,554	3,814	3,554
Objections/Exemptions	(926)	(271)	(926)	(271)
	180,670	170,541	180,670	170,541

Melbourne City Council uses 'net annual value' as the basis of valuation of all properties within the municipal district. The net annual value of a property approximates the annual net rental for a commercial property and five per cent of the capital improved value for a residential property.

The date of the general valuation of land for rating purposes within the municipal district was 1 January 2010 and the valuation first applied to the rating period commencing 1 July 2010.

(b) Parking fees

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
On street parking	30,186	24,602	30,175	24,588
Off street parking	7,955	7,266	4,737	4,220
Sporting/entertainment venues	1,605	2,159	1,605	2,159
Tow away fees	1,485	1,519	1,485	1,519
	41,231	35,546	38,002	32,486

(c) Finance income

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest received from Investments	6,906	7,906	6,301	7,240
Interest Due from Overdue Rates	539	583	539	583
Interest received from loan to CityWide Service Solutions	-	-	1	8
Other	350	306	167	1,264
	7,795	8,795	7,008	9,095

(e) Conditions over contributions

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Grants recognised as revenues during the financial year and which were obtained on the condition that they be expended in a specific manner that had not occurred at balance date were:				
Grants for capital works	158	570	158	570
Grants for other purposes	1,729	419	1,729	419
	1,887	989	1,887	989
Deduct				
(i) Grants which were recognised as revenues in a prior year and which were expended during the current year in the manner specified by the grantor were:				
Grants for capital works	570	629	570	629
Grants for other purposes	419	730	419	730
	989	1,359	989	1,359
Net increase/(decrease) in restricted assets resulting from grant revenues for the financial year	898	(370)	898	(370)

Note 4. Expenses from ordinary activities

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
(a) Employee benefit expense				
Wages and Salaries	125,582	114,786	77,502	70,207
Annual Leave and Long Service Leave	14,266	14,012	9,706	9,686
Fringe Benefits	1,448	1,392	517	533
WorkCover	1,825	1,566	580	498
Superannuation	10,769	9,801	6,971	6,194
	153,890	141,557	95,276	87,118
(b) Contract Payments, Materials and Services				
Contract Payments	91,536	88,399	96,500	92,297
Other Materials and Services	80,622	82,349	39,171	38,768
Auditors' Remuneration				
Audit Services - VAGO	205	330	108	103
Audit Services - Other External	25	14	25	14
Audit Services - Internal	454	350	251	301
	172,842	171,442	136,055	131,483
(c) Depreciation and amortisation				
Buildings	4,112	4,200	3,868	4,003
Buildings - Leasehold Improvements	349	363	133	133
Heritage Assets	812	775	812	775
Wharves and Promenades	1,346	1,552	1,346	1,552
Plant and equipment	13,793	12,848	4,392	4,468
Statues, Sculptures, and Artwork	513	513	513	513
Roads & Laneways	5,294	5,289	5,519	5,289
Roads & Laneways - Seal	3,521	4,038	3,296	3,521
Footpaths	12,069	11,031	12,069	11,031
Kerb & Channel	4,300	3,461	4,300	3,461
Bridges	1,220	1,184	1,220	1,184
Drains	699	676	699	676
Irrigation Systems	1,463	928	1,463	928
Parks and Gardens infrastructure	4,384	3,997	4,384	3,997
Other Structures	221	221	221	221
Furniture and fittings	634	589	512	482
	54,730	51,665	44,747	42,234
Amortisation of intangibles	1,878	1,651	1,878	1,651
	56,608	53,316	46,625	43,885
(d) Finance Costs				
Insurance	3,328	2,677	2,216	1,378
Bad and Doubtful debts	51	(184)	(17)	(21)
Provision for Doubtful PINS	7,386	8,354	7,386	8,354
Other Financial Costs	2,814	1,474	2,207	1,548
	13,579	12,321	11,792	11,259
(e) Other Expenses				
Grants and Contributions	16,521	15,712	16,521	15,712
Fire Brigade levy	3,443	3,435	3,443	3,435
Taxes and Levies	838	647	243	135
	20,802	19,794	20,207	19,282

Note 5. Trade and other receivables

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current				
Rates	2,008	1,705	2,008	1,705
Parking Infringement Debtors	27,394	25,297	27,394	25,297
Provision for Debts - Parking Infringement	(15,593)	(13,336)	(15,593)	(13,336)
Other Debtors	21,323	20,732	4,234	6,851
Provision for Doubtful Debts - Other Debtors	(704)	(660)	(418)	(441)
GST Receivable	3,831	3,628	3,839	3,735
Loan to CityWide Solutions Pty Ltd	-	-	-	47
	38,259	37,366	21,464	23,858

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Ageing of past due but not impaired				
60-90 days	155	308	40	301
90-120 days	226	294	151	290
120+ days	373	268	328	257
Total	754	870	519	848

(ii) This disclosure relates only to Other Debtors. Rates and Parking Infringement Debtors are not financial instruments and are therefore not included.

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Provision for doubtful debts				
Provision for Doubtful Debts - Other Debtors	704	842	418	441
Total	704	842	418	441
Movement in allowance for doubtful debts				
Balance at the beginning of the year	842	836	441	454
New provisions recognised	84	163	71	163
Amounts written off as uncollectible	(179)	(157)	(94)	(176)
Amounts recovered during the year	(43)	-	-	-
Balance at the end of the year	704	842	418	441

Note 6. Inventories

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Stores and Raw Materials	483	387	-	-
Provision for Obsolete Stock	(5)	(5)	-	-
	478	382	-	-

Note 7. Other financial assets – non current

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interests in Controlled Entities:				
CityWide Service Solutions Pty Ltd	-	-	18,406	18,406
Queen Victoria Market Pty Ltd	-	-	200	200
Melbourne Wholesale Fish Market Pty Ltd	-	-	5,000	5,000
Investment in Sustainable Melbourne Fund	-	-	6,273	6,170
	-	-	29,879	29,776
Interests in Non- Controlled Entities:				
Baycorp Advantage Advantage Limited	16	16	16	16
Regent Management Company Pty Ltd	2,776	2,776	2,776	2,776
MAPS Group Ltd	250	250	250	250
	3,042	3,042	3,042	3,042
	3,042	3,042	32,921	32,818

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Other Financial Assets				
BT Institutional Enhanced Fixed Interest Fund	14,664	14,275	14,664	14,275
	14,664	14,275	14,664	14,275

Note 8. Other assets

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Prepayments	893	806	50	95
Tax equivalents & Dividends	-	20	4,596	4,538
	893	826	4,646	4,633

Note 9. Property, plant, equipment and infrastructure

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Land - Freehold				
At Council's valuation (i)	153,462	131,379	153,462	131,379
At Independent valuation	7,750	7,750	-	-
At cost	16,105	12,196	-	-
	177,317	151,325	153,462	131,379
Land - Other Controlled				
At Council's valuation (i)	1,181,150	1,164,840	1,181,150	1,164,840
Land - Under Roads				
At Council's deemed cost (i)	10,770	6,590	10,770	6,590
Buildings on Freehold Land				
At Council's valuation (i)	65,495	65,783	65,495	65,783
At cost	4,455	4,214	-	-
Accumulated depreciation	(1,209)	(965)	-	-
	68,741	69,032	65,495	65,783
Buildings on Other Controlled Land				
At Council's valuation (i)	33,756	31,450	33,756	31,450
Buildings - Leasehold Improvements				
At cost	4,435	4,369	2,269	2,269
Accumulated depreciation	(2,095)	(1,746)	(434)	(300)
	2,341	2,624	1,835	1,969
Heritage Buildings				
At Council's valuation (i)	91,026	81,136	91,026	81,136
Promenades and Wharves				
At Council's valuation (ii)	64,576	75,356	64,576	75,356
Plant and Equipment				
At cost	120,364	106,783	40,108	35,124
Accumulated depreciation	(61,730)	(51,461)	(19,533)	(15,775)
	58,634	55,322	20,574	19,349
Furniture and Fittings				
At cost	5,823	5,506	4,887	4,598
Accumulated depreciation	(2,643)	(2,019)	(2,048)	(1,536)
	3,180	3,487	2,839	3,062
Statues, Sculptures and Artworks				
At cost	49,561	49,561	49,561	49,561
Accumulated depreciation	(3,744)	(3,230)	(3,744)	(3,230)
	45,817	46,331	45,817	46,331
Roads & Laneways				
At Council's valuation (ii)	440,205	408,412	440,205	408,412
Roads & Laneways - Seal				
At Council's valuation (ii)	26,266	24,716	26,266	24,716
Footpaths				
At Council's valuation (ii)	121,722	108,905	121,722	108,905
Kerb & Channel				
At Council's valuation (ii)	111,318	106,110	111,318	106,110

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Bridges				
At Council's valuation (ii)	86,015	81,296	86,015	81,296
Drains				
At Council's valuation (ii)	75,491	69,977	75,491	69,977
Irrigation				
At Council's valuation (iii)	17,074	16,919	17,074	16,919
Parks and Gardens Infrastructure				
At Council's valuation (iv)	62,734	55,791	62,734	55,791
Trees				
At Council's valuation (v)	33,566	33,184	33,566	33,184
Other Structures				
At cost	3,660	3,660	3,660	3,660
Accumulated depreciation-cost	(1,136)	(915)	(1,136)	(915)
	2,524	2,746	2,524	2,746
Works in Progress				
At cost	77,545	63,708	77,102	63,642
Total Property, Plant, Equipment and Infrastructure	2,791,768	2,659,254	2,725,319	2,598,941

The basis of valuation is included under note 1(k) in the financial report and have been conducted as follows:

- (i) Valuations of council land and buildings were determined by David Slicer, Senior Valuer, Property Services Branch, Melbourne City Council.
- (ii) Valuations of infrastructure assets (roads & laneways, footpaths, kerb & channel, bridges and drains) were determined by Gordon Duncan, Principal Engineer – Infrastructure, Engineering Services Group and Vijaya Karunasena – Senior Infrastructure Engineer, Engineering Services Branch, Melbourne City Council.
- (iii) Valuation of Irrigation Assets was determined by Eugene Stackpole – Asset Management Officer, Parks Services Branch, Melbourne City Council.
- (iv) Valuation of Parks and Gardens Infrastructure were determined by Eugene Stackpole – Asset Management Officer, Parks Services Branch and David Slicer – Senior Valuer, Property Services Branch, Melbourne City Council.
- (v) Valuations of Trees were determined by Ian Shears – Senior Tree Planner of Parks Services Branch, Melbourne City Council.

All the above valuations were completed as at 30 June 2010 for the council. Valuations for 30 June 2010 are at fair value. Unless otherwise stated the carrying value of each class of asset measured at fair value at balance date materially reflects their fair value at that date. Land valuations for CityWide Service Solutions and the Melbourne Wholesale Fish Market were completed during March 2007 and June 2009 respectively.

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2010

City of Melbourne 2009–2010 Annual Report

(a) Consolidated

30 June 2009

Asset Classes	Carrying amount at 30 June 2008	Revaluations	Additions	Disposals	Depreciation	Carrying amount at 30 June 2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land - Freehold	147,170	(18,167)	22,985	(663)	-	151,325
Land - Other Controlled	1,180,965	(6,630)	12,055	(21,550)	-	1,164,840
Buildings on Freehold Land	72,865	(4,920)	3,838	(131)	(2,620)	69,032
Buildings on Other Controlled Land	31,826	19	1,773	(586)	(1,582)	31,450
Buildings - Leasehold Improvements	2,824	-	168	(8)	(360)	2,624
Heritage Assets	74,786	3,592	3,534	-	(776)	81,136
Promenades and Wharves	85,185	(8,275)	-	-	(1,554)	75,356
Plant and Equipment	55,163	-	16,942	(3,936)	(12,841)	55,328
Furniture and Fittings	3,442	-	626	-	(587)	3,481
Statues, Sculptures and Artworks	46,773	-	69	-	(511)	46,331
Roads & Laneways - Substructure	394,623	13,324	5,784	(30)	(5,289)	408,412
Roads & Laneways - Seal	23,703	(5,529)	10,591	(8)	(4,041)	24,716
Land Under Roads	-	-	6,590	-	-	6,590
Footpaths	102,035	3,877	14,025	-	(11,032)	108,905
Kerb & Channel	94,000	11,162	4,410	-	(3,462)	106,110
Bridges	80,623	729	1,129	-	(1,184)	81,297
Drains	66,041	105	4,508	-	(678)	69,976
Irrigation	11,187	2,724	3,938	-	(930)	16,919
Parks and Gardens Infrastructure	51,466	1,239	8,631	(1,549)	(3,996)	55,791
Trees	31,691	198	1,295	-	-	33,184
Other Structures	2,800	-	168	-	(222)	2,746
Works in Progress*	45,141	-	18,601	(37)	-	63,705
	2,604,309	(6,554)	141,660	(28,498)	(51,665)	2,659,254

(a) Consolidated

30 June 2010

Asset Classes	Carrying amount at 30 June 2009	Revaluations	Additions	Disposals	Depreciation	Carrying amount at 30 June 2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land - Freehold	151,325	25,838	154	-	-	177,317
Land - Other Controlled	1,164,840	80,894	4,035	(68,620)	-	1,181,149
Buildings on Freehold Land	69,032	(457)	2,690	-	(2,523)	68,742
Buildings on Other Controlled Land	31,450	1,998	2,233	(336)	(1,589)	33,756
Buildings - Leasehold Improvements	2,624	-	66	-	(349)	2,341
Heritage Assets	81,136	10,702	-	-	(812)	91,026
Promenades and Wharves	75,356	54	(9,731)	-	(1,103)	64,576
Plant and Equipment	55,328	-	18,476	(1,372)	(13,793)	58,639
Furniture and Fittings	3,481	-	327	-	(634)	3,174
Statues, Sculptures and Artworks	46,331	-	-	-	(513)	45,818
Roads & Laneways - Substructure	408,412	32,191	5,144	(23)	(5,519)	440,205
Roads & Laneways - Seal	24,716	(1,302)	6,149	-	(3,296)	26,267
Land Under Roads	6,590	-	4,180	-	-	10,770
Footpaths	108,905	4,588	20,541	-	(12,312)	121,722
Kerb & Channel	106,110	5,912	3,596	-	(4,300)	111,318
Bridges	81,297	3,419	2,521	-	(1,220)	86,017
Drains	69,976	4,007	2,205	-	(699)	75,489
Irrigation	16,919	1,949	1,328	(1,662)	(1,463)	17,071
Parks and Gardens Infrastructure	55,791	9,060	6,049	(3,781)	(4,384)	62,735
Trees	33,184	36	801	(455)	-	33,566
Other Structures	2,746	-	-	-	(221)	2,525
Works in Progress*	63,705	-	13,840	-	-	77,545
	2,659,254	178,889	84,604	(76,249)	(54,730)	2,791,768

* The 'Works in progress' addition figure is a net amount consisting of \$63.9 million additional works in progress and \$50.1 million of assets capitalised during the financial year 2009–10.

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2010

City of Melbourne 2009–2010 Annual Report

(b) Council

30 June 2009	Carrying amount at 30 June 2008	Revaluations	Additions	Disposals	Depreciation	Carrying amount at 30 June 2009
Asset Classes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land - Freehold	118,439	(10,045)	22,985	-	-	131,379
Land - Other Controlled	1,180,965	(6,630)	12,055	(21,550)	-	1,164,840
Buildings on Freehold Land	70,321	(4,920)	2,805	-	(2,423)	65,783
Buildings on Other Controlled Land	31,826	19	1,773	(586)	(1,582)	31,450
Buildings - Leasehold Improvements	2,102	-	-	-	(131)	1,971
Heritage Assets	74,786	3,592	3,534	-	(776)	81,136
Promenades and Wharves	85,185	(8,275)	-	-	(1,553)	75,357
Plant and Equipment	18,238	-	6,350	(773)	(4,460)	19,355
Furniture and Fittings	3,409	-	128	-	(481)	3,056
Statues, Sculptures and Artworks	46,773	-	69	-	(511)	46,331
Roads & Laneways - Substructure	394,623	13,324	5,784	(30)	(5,291)	408,410
Roads & Laneways - Seal	23,703	(5,529)	10,074	(8)	(3,521)	24,719
Land Under Roads	-	-	6,590	-	-	6,590
Footpaths	102,035	3,877	14,025	-	(11,030)	108,907
Kerb & Channel	94,000	11,162	4,410	-	(3,461)	106,111
Bridges	80,623	729	1,129	-	(1,185)	81,296
Drains	66,041	105	4,508	-	(678)	69,976
Irrigation	11,187	2,724	3,938	-	(931)	16,918
Parks and Gardens Infrastructure	51,466	1,239	8,631	(1,549)	(3,998)	55,789
Trees	31,691	198	1,295	-	-	33,184
Other Structures	2,800	-	168	-	(222)	2,746
Works in Progress*	45,025	-	18,612	-	-	63,637
	2,535,238	1,568	128,863	(24,496)	(42,234)	2,598,941

(b) Council

30 June 2010	Carrying amount at 30 June 2009	Revaluations	Additions	Disposals	Depreciation	Carrying amount at 30 June 2010
Asset Classes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land - Freehold	131,379	21,928	154	-	-	153,461
Land - Other Controlled	1,164,840	80,894	4,035	(68,620)	-	1,181,149
Buildings on Freehold Land	65,783	(457)	2,449	-	(2,279)	65,496
Buildings on Other Controlled Land	31,450	1,998	2,233	(336)	(1,589)	33,756
Buildings - Leasehold Improvements	1,971	-	-	-	(133)	1,838
Heritage Assets	81,136	10,702	-	-	(812)	91,026
Promenades and Wharves	75,357	54	(9,731)	-	(1,103)	64,577
Plant and Equipment	19,355	-	6,489	(872)	(4,392)	20,580
Furniture and Fittings	3,056	-	288	-	(512)	2,832
Statues, Sculptures and Artworks	46,331	-	-	-	(513)	45,818
Roads & Laneways - Substructure	408,410	32,191	5,144	(23)	(5,519)	440,203
Roads & Laneways - Seal	24,719	(1,302)	6,149	-	(3,296)	26,270
Land Under Roads	6,590	-	4,180	-	-	10,770
Footpaths	108,907	4,588	20,541	-	(12,312)	121,724
Kerb & Channel	106,111	5,912	3,596	-	(4,300)	111,319
Bridges	81,296	3,419	2,521	-	(1,220)	86,016
Drains	69,976	4,007	2,205	-	(699)	75,489
Irrigation	16,918	1,949	1,328	(1,662)	(1,463)	17,070
Parks and Gardens Infrastructure	55,789	10,233	4,876	(3,781)	(4,384)	62,733
Trees	33,184	36	801	(455)	-	33,566
Other Structures	2,746	-	-	-	(221)	2,525
Works in Progress*	63,637	-	13,464	-	-	77,101
	2,598,941	176,152	70,722	(75,749)	(44,747)	2,725,319

* The 'Works in progress' addition figure is a net amount consisting of \$63.6 million additional works in progress and \$50.1 million of assets capitalised during the financial year 2009–10.

Note 10. Intangible assets

(a) Consolidated	Carrying	Additions	Disposals	Amortisation/ Impairment	Carrying	Additions	Disposals	Amortisation	Carrying
Asset Classes	amount at 30 June 2008				amount at 30 June 2009				amount at 30 June 2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Goodwill									
Net Book value	9,230	621	-	-	9,851	-	-	-	9,851
Licence Agreement	-	-	-	-	-	-	-	-	-
Computer Software									
Cost	12,672	1,554	-	-	14,226	2,636	-	-	16,862
Accumulated amortisation	(8,928)	-	-	(1,651)	(10,579)	-	-	(1,878)	(12,457)
Net Book value	3,744	1,554	-	(1,651)	3,647	2,636	-	(1,878)	4,405
	12,974	2,175	-	(1,651)	13,498	2,636	-	(1,878)	14,256
(b) Council	Carrying	Additions	Disposals	Amortisation	Carrying	Additions	Disposals	Amortisation	Carrying
Asset Classes	amount at 30 June 2008				amount at 30 June 2009				amount at 30 June 2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Licence Agreement	-	-	-	-	-	-	-	-	-
Computer Software									
Cost	12,672	1,554	-	-	14,226	2,636	-	-	16,862
Accumulated amortisation	(8,928)	-	-	(1,651)	(10,579)	-	-	(1,878)	(12,457)
Net Book value	3,744	1,554	-	(1,651)	3,647	2,636	-	(1,878)	4,405
	3,744	1,554	-	(1,651)	3,647	2,636	-	(1,878)	4,405

Note 11. Investment property

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
(a) Amounts recognised in Income Statement for Investment Properties				
Property Rental	9,313	8,411	9,313	8,411
Operating Expenses for rental generating properties	2,307	2,233	2,307	2,233
Operating Expenses for non rental generating properties	6,493	6,837	6,493	6,837
(b) Reconciliation of carrying amounts				
Land				
Carrying amount at beginning	32,255	25,280	32,255	25,280
Additions	(154)	6,975	(154)	6,975
Carrying amount at end of period	32,101	32,255	32,101	32,255
Buildings				
Carrying amount at beginning	57,191	54,056	57,191	54,056
Additions	7,604	3,135	7,604	3,135
Carrying amount at end of period	64,795	57,191	64,795	57,191
Total Investment Properties	96,896	89,446	96,896	89,446

Note 12. Trade and other payables

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current				
Trade Creditors General	7,818	16,113	917	12,758
Docklands Payable	1,500	1,500	1,500	1,500
CAE - Payable	-	590	-	590
Deposits and retention amounts	3,688	3,775	1,969	2,778
Accruals	30,929	29,477	23,966	24,946
Income in Advance	3,094	2,485	789	1,099
	47,029	53,940	29,141	43,671

Note 12(a) Trade and other payables (non-current)

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Non-Current				
Docklands Payable	6,322	6,850	6,322	6,850
	6,322	6,850	6,322	6,850

Note 13. Employee benefits

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
(a) Current				
Long Service Leave	14,986	13,753	11,338	10,564
Annual Leave	12,626	11,727	8,096	7,551
Other	168	-	-	-
	27,780	25,480	19,434	18,115
(b) Non-Current				
Long Service Leave	5,735	5,208	3,908	3,656
Annual Leave	-	-	-	-
	5,735	5,208	3,908	3,656
Total Employee Benefits	33,515	30,688	23,342	21,771
(c) Reconciliation of movements				
Annual Leave				
Balance at the beginning of the financial year	11,727	11,033	7,551	7,012
Additional provisions	7,485	6,908	7,131	6,753
Amounts used	(6,584)	(6,211)	(6,584)	(6,211)
Increase in the discounted amount because of time and the effect of any change in the discount rate	(2)	(3)	(2)	(3)
Balance at the end of the financial year	12,626	11,727	8,096	7,551
Long Service Leave				
Balance at the beginning of the financial year	18,961	16,012	14,220	12,119
Additional provisions	2,301	4,710	1,567	3,862
Amounts used	(1,360)	(1,023)	(1,360)	(1,023)
Increase(Decrease) in the discounted amount because of time and the effect of any change in the discount rate	819	(738)	819	(738)
Balance at the end of the financial year	20,721	18,961	15,246	14,220
Other				
Balance at the beginning of the financial year	-	-	-	-
Additional provisions	168	-	-	-
Amounts used	-	-	-	-
Balance at the end of the financial year	168	-	-	-
(e) Current Employee Benefits Disclosure				
Employee Benefits entitlements				
- that fall due within 12 months after the end of the period measured at nominal value	13,610	12,543	8,938	8,367
- that do not fall due within 12 months after the end of the period measured at present value	14,170	12,937	10,496	9,748
	27,780	25,480	19,434	18,115

Note 14. Provisions

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
(a) Current				
Insurance claims	551	167	551	167
Other	959	455	765	300
	1,510	622	1,316	467
(b) Reconciliation of movements				
Insurance Claims				
Balance at the beginning of the financial year	167	255	167	255
Additional provisions	496	53	496	53
Amounts used	(112)	(141)	(112)	(141)
Balance at the end of the financial year	551	167	551	167
Other				
Balance at the beginning of the financial year	455	500	300	300
Additional provisions	504		465	-
Amounts used	-	(45)	-	
Balance at the end of the financial year	959	455	765	300

Note 15. Reserves

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Composition				
Asset Revaluation (i)	1,255,718	1,076,829	1,244,558	1,068,406
Reserve for Public Open Space (ii)	2,539	2,139	2,539	2,139
Investments Revaluation Reserve (iii)	(336)	(725)	(336)	(725)
	1,257,920	1,078,243	1,246,760	1,069,820

(i) Movement in Reserves -Asset Revaluation Reserve

Consolidated	Carrying amount at 2008	Increment (decrement)	Carrying amount at 2009	Increment (decrement)	Carrying amount at 2010
	\$'000	\$'000	\$'000	\$'000	\$'000
Property					
Land	727,475	(24,797)	702,678	102,822	805,500
Buildings	35,446	(1,310)	34,136	12,243	46,379
Infrastructure					
Roads & Laneways	106,272	7,795	114,067	30,890	144,957
Footpaths	52,978	3,877	56,855	4,586	61,441
Kerb & Channel	72,774	11,162	83,936	5,912	89,848
Bridges	18,131	729	18,860	3,419	22,279
Drains	3,155	105	3,260	4,007	7,267
Promenades and Wharves	11,010	(8,276)	2,734	54	2,788
Parks and Gardens Infrastructure	33,052	1,239	34,291	10,233	44,524
Trees	10,284	198	10,482	36	10,518
Other structures	206	-	206	-	206
P&G Irrigation	2,095	2,724	4,819	1,950	6,769
Plant & Equipment	547	-	547	-	547
Computer Equipment	635	-	635	-	635
Furniture & Fittings	9	-	9	-	9
Artworks	5,404	-	5,404	-	5,405
Asset Revaln Res - CW Services	3,909	-	3,909	2,737	6,646
	1,083,382	(6,554)	1,076,829	178,889	1,255,718

(ii) Movement in Reserves -Asset Revaluation Reserve

Council	Carrying amount at 2008	Increment (decrement)	Carrying amount at 2009	Increment (decrement)	Carrying amount at 2010
	\$'000	\$'000	\$'000	\$'000	\$'000
Property					
Land	714,840	(16,675)	698,165	102,822	800,987
Buildings	35,446	(1,310)	34,136	12,243	46,379
Infrastructure					
Roads & Laneways	106,272	7,795	114,067	30,890	144,957
Footpaths	52,978	3,877	56,855	4,586	61,441
Kerb & Channel	72,774	11,162	83,936	5,912	89,848
Bridges	18,131	729	18,860	3,419	22,279
Drains	3,155	105	3,260	4,007	7,267
Promenades and Wharves	11,010	(8,276)	2,734	54	2,788
Parks and Gardens Infrastructure	33,052	1,239	34,291	10,233	44,524
Trees	10,284	198	10,482	36	10,518
Other structures	206	-	206	-	206
P&G Irrigation	2,095	2,724	4,819	1,950	6,769
Plant & Equipment	547	-	547	-	547
Computer Equipment	635	-	635	-	635
Furniture & Fittings	9	-	9	-	9
Artworks	5,404	-	5,404	-	5,404
	1,066,838	1,568	1,068,406	176,152	1,244,558

(ii) Movements in Reserves - Reserve for Public Open Space

	Consolidated		Note	Council	
	2010 \$'000	2009 \$'000		2010 \$'000	2009 \$'000
Balance at the beginning of the financial year	2,139	2,390		2,139	2,390
Transfer to accumulated reserves	2,218	2,055		2,218	2,055
Amounts used	(1,818)	(2,306)		(1,818)	(2,306)
Balance at the end of the financial year	2,539	2,139		2,539	2,139

(iii) Movements in Reserves - Investments Revaluation Reserve

	Consolidated		Note	Council	
	2010 \$'000	2009 \$'000		2010 \$'000	2009 \$'000
Balance at the beginning of the financial year	(725)	(621)		(725)	(621)
Transfer to accumulated reserves	389	(104)		389	(104)
Amounts used	-	-		-	-
Balance at the end of the financial year	(336)	(725)		(336)	(725)

Note 16. Gains/ (loss) on sale of fixed and intangible assets

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Land & Buildings				
Proceeds from Sales	-	-	-	-
Carrying amount of assets sold	(336)	(2,751)	(336)	(2,751)
Gain/(Loss) on Sale	(336)	(2,751)	(336)	(2,751)
Plant, Equipment & Infrastructure				
Proceeds from Sales	931	1,420	931	1,420
Carrying amount of assets sold/disposed	(747)	(1,316)	(916)	(1,018)
Gain/(Loss) on Sale	184	104	15	402
Total Proceeds from Sale of Assets	931	1,420	931	1,420
Total Carrying amount of Assets Sold	(1,084)	(4,067)	(1,252)	(3,769)
Total Gain/(Loss) on Sale	(153)	(2,647)	(321)	(2,349)

Note 17. Cash flow information

(a) Reconciliation from net cash provided by operating activities to surplus(deficit)

	Consolidated		Note	Council	
	2010 \$'000	2009 \$'000		2010 \$'000	2009 \$'000
Comprehensive result	155,990	8,414		150,033	26,458
Non cash and other items included in Comprehensive Income for the year:					
Depreciation and amortisation	56,608	53,316		46,625	43,885
(Gain)/Loss on sale of property, plant and equipment	153	2,647		321	2,349
Recognition of change in reserves	(179,277)	20,794		(176,542)	(1,464)
Finance costs from financing activities	4,885	12,794		2,989	2,026
Transfer of Assets to external parties	74,496	23,475		74,496	23,475
Non current asset additions	(17,255)	(18,821)		(17,255)	(18,821)
Changes in assets and liabilities in relation to operating activities:					
(Increase)/Decrease in Trade and other Receivables	(1,047)	3,054		2,278	(2,163)
(Increase)/Decrease in Other Assets	(67)	(245)		(13)	(122)
(Increase)/Decrease in Inventories	(96)	115		-	-
(Increase)/Decrease in Assets held for sale	-	2,770		-	2,770
(Increase)/Decrease in Accrued Income	(766)	(274)		(835)	(476)
Increase/(Decrease) in Trade and other Payables	(5,723)	(22,572)		(14,050)	(9,651)
Increase/(Decrease) in Superannuation Liability	802	14,482		-	-
Increase/(Decrease) in Employee benefits	2,827	2,983		1,570	1,980
Increase/(Decrease) in Provisions	888	(132)		849	(89)
Net cash provided by operating activities	92,421	102,800		70,465	70,158

(b) Cash and Cash Equivalents

Cash at the end of the financial year as shown in the balance sheet and the statement of cash flows comprises:

Cash on hand	78	63	23	48	31
Cash at bank	6,278	3,803	23	3,315	2,283
Bank Bills, Negotiable Certificates of Deposit	108,749	107,604	23	99,538	96,723
Cash and Cash Equivalents	115,105	111,470		102,901	99,037
Fixed Interest securities	14,664	14,275	23	14,664	14,275
	129,769	125,745		117,565	113,312

(c) Restriction on Investments

Council has cash and cash equivalents (note 17b) that are subject to restrictions. As at the reporting date, Council had legislative restrictions in relation to employee entitlements (Long Service Leave) and reserve funds (Recreational Lands Reserves).

Long Service Leave	20,721	18,961		15,246	14,220
Reserve Funds	2,539	2,139		2,539	2,139
	23,260	21,100		17,785	16,359

Short-term deposits, bank bills, NCDs and fixed interest securities as at 30 June 2010 had a weighted average duration of approximately 249 days (2009: 209 days) and a weighted average interest rate of 6.22 per cent (2009 : 4.05 per cent).

Note 18. Leases and Commitments

	Consolidated		Council	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
COMMITMENTS				
(i) Operating leases payable				
Operating lease rentals of property, contracted for at balance date, but not recognised as liabilities:				
Not longer than 1 year	64	70	134	140
Longer than 1 year but no longer than 5 years	199	226	199	226
Longer than 5 years	172	150	172	150
	435	446	505	516
Operating Maintenance commitments				
Payable within 1 year	6,400	1,479	6,400	1,479
Longer than 1 year but no longer than 5 years	20,648	-	20,648	-
	27,048	1,479	27,048	1,479
Service*				
Payable within 1 year	18,401	32,942	51,976	52,964
Payable later than 1 year but not later than 5 years	18,580	110,070	93,486	133,171
	36,981	143,012	145,462	186,135
(ii) RECEIVABLES				
Operating leases receivable				
Future minimum lease receipts under non-cancellable operating leases for rentals of property, contracted for at balance date, but not recognised as assets:				
Not longer than 1 year	4,308	3,607	4,308	3,607
Longer than 1 year but no longer than 5 years	5,494	8,488	5,494	8,488
Longer than 5 years	29,120	25,024	29,120	25,024
	38,922	37,119	38,922	37,119
(iii) CAPITAL COMMITMENTS				
Expenditure contracted for at balance date but not recognised in the financial report as liabilities:				
CAPITAL Buildings	1,365	1,802	1,365	1,802
Plant and Equipment	899	1,406	899	1,406
	2,264	3,208	2,264	3,208
Payable within 1 year	2,264	3,208	2,264	3,208

* Service contracts are for a maximum period of five years.

Note 19. Contingent assets and liabilities

Guarantees

Melbourne City Council and the State Government of Victoria have indemnified, in equal shares, Regent Management Company Pty Ltd against any liability, loss or expense incurred or suffered by the company. Over the financial year, no calls on this indemnity were made.

Melbourne City Council, as a once-off arrangement, agrees to act as guarantor for Fencing Victoria's loan of \$241,000 for their capital contribution towards the State High Performance Centre, which will be completed as part of the Arden Street redevelopment. Over the financial year, no calls on this indemnity were made.

At the time of preparing the financial statements, Melbourne City Council was yet to finalise its enterprise bargaining agreement. Part of the new agreement may see the timeframe for entitlement of long service leave for employees reduced from 10 years to 7 years. If the agreement is accepted Melbourne City Council's current long service liability would increase by \$1.01 million.

At 30 June 2010 there are no outstanding Melbourne City Council bank guarantees.

Note 19a. Melbourne Wholesale Fish Market

The Melbourne Wholesale Fish Market will cease operating on December 31, 2010.

The company has now entered into a conditional contract of sale for the remainder of the site which is subject to satisfactory due diligence and an agreement on demolition costs for the buildings on the site.

The requirements of the due diligence process have not been completed at the time of preparing and signing the financial statements. As there are a number of conditions still to be satisfied the property is carried as a non-current asset in the consolidated financial statements at estimated fair value which has been determined after allowing for reasonable demolition costs. Any further adjustments arising from the sale will be accounted for in the 2011 financial statements however these are not expected to be material in amount or nature.

Note 19b. Contributed assets

During the financial year, total contributed assets of \$17.30 million were received. This predominantly comprised of assets from Docklands.

Note 20. Superannuation

The City of Melbourne makes employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). Obligations for contributions are recognised as an expense in the comprehensive income statement when they are due. The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently.

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9% required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Defined Benefit Plan

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Plan's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to reliably allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32 (b) of AASB 119, City of Melbourne does not use defined benefit accounting for these contributions.

The City of Melbourne makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2008, City of Melbourne makes the following contributions:-

- 9.25% of members' salaries (same as previous year);
- the difference between resignation and retrenchment benefits paid to any retrenched employees, plus contribution tax (same as previous year);

The Fund surplus or deficit (ie the difference between fund assets and liabilities) is calculated differently for funding purposes (ie calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in the council's financial statements. AAS 25 requires that the present value of the defined benefit liability to be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue. The actuarial investigation concluded that although the Net Market Value of Assets was in excess of Accrued Benefits at 31 December 2008, based on the assumptions adopted, there was a shortfall of \$71 million when the funding of future benefits was also considered. However, the City of Melbourne was advised that no additional contributions are required for 30 June 2010. The Actuary has commenced undertaking the next actuarial investigation to ascertain if additional contributions would be required. The Actuarial review will be as at 30 June 2010.

The result of the actuarial review is expected to be finalised during October 2010. Should the review identify a funding shortfall requiring additional contributions, the City of Melbourne will be notified of any amount payable by November 2010 for payment on 1 July 2011. A further actuarial review will be undertaken as at 30 June 2011. Based on the result of this further review, a detailed funding plan will be developed and implemented to achieve the target of fully funding the Fund by 31 December 2013.

Accounting Standard Disclosure

The Fund's liability for accrued benefits was determined by the Actuary at 31 December 2008 pursuant to the requirements of Australian Accounting Standard AAS25 follows:

	31-Dec-08
	\$'000
Net Market Value of Assets	3,630,432
Accrued Benefits	<u>3,616,422</u>
Difference between Assets and Accrued Benefits	<u>14,010</u>
Vested Benefits (Minimum sum which must be paid to members when they leave the fund)	<u>3,561,588</u>

The financial assumptions used to calculate the Accrued Benefits for the defined benefit category of the Fund were:

Net Investment Return	8.50% p.a.
Salary Inflation	4.25% p.a.
Price Inflation	2.75% p.a.

Melbourne City Council Superannuation Sub Plan (CMSSP) Members

A separate plan is operated for Melbourne City Council defined benefit members. The CMSSP was closed to new members on 23 December 1993.

The CMSSP is a multi-employer sponsored plan. As the fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to reliably allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32 (b) of AASB 119, council does not use the defined benefit accounting for these contributions, but as the majority of the members of the fund are employees of the Melbourne City Council group, the surplus or deficit of the fund is recorded in accordance to AASB119 at the consolidated level for reporting purposes. Member profiles will be reviewed periodically to determine if and when reporting at the individual entity level becomes appropriate.

The Melbourne City Council makes employer contributions to the defined benefits category of the fund at rates determined by the fund's trustee on advice of the actuary. On the basis of the results of the most recent update of the full actuarial investigation conducted by the fund's actuary as at 31 December 2008, the trustee has determined that the funding arrangements were adequate for the expected CMSSP liabilities and Melbourne City Council makes the following contributions:

- 8 per cent of members' salaries (up until 30 November 2006), and 4 per cent thereafter
- the difference between resignation and retrenchment benefits paid to its retrenched employees (same as the previous year).

The actuarial investigation concluded that although the net market value of assets was in excess of accrued benefits at 31 December 2008, based on the assumptions adopted, there was a shortfall for when the funding of future benefits was also considered. A liability of \$11.16 million has been recognised in the consolidated financial statements as the council's share of the scheme's liabilities, being the difference between the present value of employees' accrued benefits and the net market value of the scheme's assets at balance date. The Actuary will undertake the next actuarial investigation commencing at 30 June 2010 to ascertain if additional contributions are required.

The CMSSP fund's liability was determined in the 31 December 2008 actuarial investigation pursuant to the requirements of the Australian Accounting Standard AAS 25 as follows:

	31 Dec 2008 \$ millions
Net Market Value of Assets	60.4
Accrued Benefits (per accounting standards)	51.4
Difference between Assets and Accrued Benefits	9.0
Vested Benefits	58.7
Vested benefits index	114%

The total amount of superannuation contributions paid by Melbourne City Council, inclusive of its wholly owned subsidiaries Citywide Service Solutions Pty Ltd, Queen Victoria Market Pty Ltd and Melbourne Wholesale Fish Market Pty Ltd, during the year was \$10,751,370 (2009: \$9,800,615).

Council has an ongoing obligation to share in the future experience of the *Local Authorities Superannuation Fund Defined Benefits Plan* and the Melbourne City Council *Superannuation Sub-Plan*. Favourable or unfavourable variations may arise should the experience of the funds differ from the assumptions made by the funds' actuary in estimating the Funds' accrued benefit liability.

CityWide Service Solutions Pty Ltd contributes in respect of its employees to the following sub-plans of the Local Authorities Superannuation Fund:

- The Melbourne City Council sub-plan
- The Defined Benefits plan
- The Accumulation plan.

Note 21. Related party transactions

(a) Names of persons holding the position of a Responsible Person at the Melbourne City Council during the financial year were:

Councillors

LM Robert Doyle
DLM Susan Riley
Carl Jetter
Kevin Louey
Jennifer Kanis
Cathy Oke
Brian Shanahan
Ken Ong
Peter Clarke

Chief Executive Officer

Kathy Alexander

(b) Remuneration of Responsible Persons in bands of \$ 20,000

Income Range	2010 No.	2009 No.
\$0,000 - \$19,999	-	1
\$20,000 - \$39,999	-	10
\$40,000 - \$59,999	7	3
\$80,000 - \$99,999	-	1
\$100,000 - \$119,999	1	-
\$160,000 - \$179,999	1	-
\$360,000 - \$379,999	1	1
	10	16

	2010 \$'000	2009 \$'000
Total Remuneration for the financial year for Responsible Persons included above, amounted to:	988	919

(c) Senior Officers' Remuneration

The number of Senior Officers, other than the Responsible Persons, whose total remuneration exceeded \$120,000 during the financial year, are shown below in their relevant income bands:

Income Range	2010 No.	2009 No.
\$120,000 - \$139,999	22	11
\$140,000 - \$159,999	12	10
\$160,000 - \$179,999	15	8
\$180,000 - \$199,999	6	10
\$200,000 - \$219,999	3	3
\$220,000 - \$239,999	2	2
\$240,000 - \$259,999	-	1
\$260,000 - \$279,999	2	
\$280,000 - \$299,999	2	
\$300,000 - \$319,999	2	1
\$320,000 - \$339,999	-	2
\$340,000 - \$359,999	1	-
\$360,000 - \$379,999	-	2
	67	50

	2010 \$'000	2009 \$'000
Total Remuneration for the financial year for Senior Officers included above, amounted to:	11,487	9,207

The recognition criteria for a senior officer was amended to reflect remuneration in excess of \$120,000 in Local Government (General) Amendment Regulations 2009. The statutory accounts have been adjusted accordingly for 2010 and 2009.

(d) No retirement benefits were paid by the council in connection with the retirement of responsible persons during the financial year or in the previous financial year.

(e) Other transactions

Other related party transactions requiring disclosure this financial year have been considered and there are no matters to report. There were no matters to report in the previous financial year.

(f) Wholly-owned group

Melbourne City Council is the ultimate parent entity in the wholly-owned group. Transactions with the controlled entities, CityWide Service Solutions Pty Ltd, Queen Victoria Market Pty Ltd, Melbourne Wholesale Fish Market Pty Ltd and Sustainable Melbourne Fund Trust during the year comprised of the following: car rental services, provision of accounting and administration services, property rental, contract sales, purchases of raw materials and plant and equipment and in accordance with the Tax Equivalence Policy, the receipt of payments which included tax equivalents for income tax, and payroll tax where applicable. These transactions were made on normal commercial terms and conditions and at market rates.

(g) Other related party transactions

	Council	
	2010	2009
	\$'000	\$'000
Other related party transactions		
Debtor - CityWide Service Solutions Pty Ltd	2,765	2,425
Debtor - Queen Victoria Market Pty Ltd	3	435
	2,768	2,860
Creditor - CityWide Service Solutions Pty Ltd	7,057	9,460
Creditor - Queen Victoria Market Pty Ltd	90	292
	7,147	9,752
Loans Outstanding		
Interest bearing loan to CityWide Service Solutions Pty Ltd	-	47
Intercompany Revenue		
Dividends	4,537	7032
Interest on loan to CityWide Service Solutions Pty Ltd	1	10
Other	8,889	9,014
Total Intercompany Revenue	13,428	16,056
Intercompany Expenditure		
CityWide Service Solutions Pty Ltd	52,720	47,152
Total Intercompany Expenditure	52,720	47,152

Note 22. Financial instruments

Accounting policy, terms and conditions

Financial instruments	Note	Accounting policy	Terms and conditions
Financial assets			
Cash and cash equivalents	17	Cash on hand, cash at bank and money market call account are valued at face value.	Council: On call deposits returned a floating interest rate of 4.36% (2.83% in 2008–2009).
Bank bills, negotiable and transferrable certificates of deposits and fixed interest	17	Interest is recognised as it accrues. Investments and bills are valued at cost. Investments are held to maximise interest returns of surplus cash. Fixed interest securities are valued at fair value.	Council: Managed fund provided return of 7.22% (5.11% in 2008–2009) excluding unrealised gains/losses
Trade and other receivables			
Sundry debtors (including Docklands and Kensington/North Melbourne)	5	Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection in full is no longer probable. Collectability of overdue accounts is assessed on an ongoing basis. Docklands debtors and Kensington/North Melbourne debtors have been recognised at carrying value, as recorded at the time of transition per the financial records of the responsible entity.	General debtors are unsecured. Credit terms are based on 30 days from date of invoice.
Investments	7	Investments for the council include all wholly owned subsidiaries, wholly controlled trust of the council and	Investments in other entities are valued at historical cost.

		associated entities. Investments the consolidated entity includes interests in other entities and associated entities.	
Financial liabilities			
Trade and other payables	12	Liabilities are recognised for amounts to be paid in the future for goods and services provided to council as at balance date whether or not invoices have been received.	General creditors are unsecured, not subject to interest charges and are normally settled within 30 days from date of invoice.
Borrowings		Borrowings are carried at their principal amounts, which represent the present value of future cash flows associated with the servicing of debt. Interest is recognised as an expense as it is incurred.	<p>CityWide: The bank overdraft and bill acceptance and discount facilities are unsecured facilities. The bank facilities may be drawn at any time and may be terminated by the bank subject to default under the loan agreement. Subject to the continuance of satisfactory covenant achievement, the bank facilities may be drawn at any time. The facilities expire on 1 December 2010. The weighted average interest rate was 3.83% in 2010 (4.81% in 2009)</p> <p>Council: The Melbourne City Council has no borrowings.</p> <p>No defaults or breaches of any loan/debt facility arrangements involving council or its consolidated group occurred during the financial year ended 30 June 2010.</p>

(a) Interest rate risk

(i) The **consolidated** entity's exposure to interest rate risk, repricing maturities and effective weighted average interest rates on financial instruments at balance date is set out below:

	Weighted Average Interest rate %		Floating Interest rate		Fixed Interest Rate Maturities 1 year or less		Non interest bearing		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	%	%	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Financial Assets										
Cash	4.31%	2.83%	7,217	3,803	-	-	78	64	7,295	3,867
Short term deposits	6.01%	3.48%	-	-	100,568	-	-	-	100,568	-
Bank Bills & NCD's	7.22%	5.11%	21,663	-	-	121,878	-	-	21,663	121,878
Sundry debtors			-	-	-	-	18,611	18,367	18,611	35,661
Investment in unlisted entities			-	-	-	-	3,042	3,042	3,042	3,042
Total Financial Assets			28,880	3,803	100,568	121,878	21,731	21,473	151,179	164,448
Financial Liabilities										
Trade creditors			-	-	-	-	9,318	18,203	9,318	18,203
Deposits & retentions			-	-	-	-	3,688	3,775	3,688	3,775
Borrowings	3.83%	4.81%	1,000	7,500	-	-	-	-	1,000	7,500
Total Financial Liabilities			1,000	7,500	-	-	13,006	21,978	14,006	29,478
Net financial assets/Liabilities			27,880	(3,697)	100,568	121,878	8,725	(505)	137,173	134,970

Comparative figures in non-interest bearing Sundry Debtors has been adjusted to exclude Rates, Parking Infringments and GST Receivable Debtors to be consistent with the current year.

(ii) The **council's** exposure to interest rate risk, repricing maturities and effective weighted average interest rates on financial instruments at balance date is set out below:

	Weighted Average Interest rate %		Floating Interest rate		Fixed Interest Rate Maturities 1 year or less		Non interest bearing		Total	
	2010 %	2009 %	2010 \$ '000	2009 \$ '000	2010 \$ '000	2009 \$ '000	2010 \$ '000	2009 \$ '000	2010 \$ '000	2009 \$ '000
Financial Assets										
Cash	4.36%	2.88%	3,315	2,283	-	-	48	32	3,363	2,315
Short term deposits	6.01%		-	-	92,538	-	-	-	92,538	-
Bank Bills & NCD's	7.22%	5.14%	21,663	-	-	110,997	-	-	21,663	110,997
Sundry debtors			-	-	-	-	1,808	4,752	1,808	22,153
Investment in unlisted entities			-	-	-	-	32,921	32,818	32,921	32,818
Total Financial Assets			24,978	2,283	92,538	110,997	34,777	37,603	152,294	168,283
Financial Liabilities										
Bank Overdraft										
Trade creditors			-	-	-	-	2,417	14,848	2,417	14,848
Deposits & retentions			-	-	-	-	1,969	2,778	1,969	2,778
Total Financial Liabilities			-	-	-	-	4,386	17,626	4,386	17,626
Net financial assets			24,978	2,283	92,538	110,997	30,391	19,977	147,908	150,657

Comparative figures in non-interest bearing Sundry Debtors has been adjusted to exclude Rates, Parking Infringements and GST Receivable Debtors to be consistent with the current year.

(b) Reconciliation of net financial assets to net assets

	Consolidated		Note	Council	
	2010 \$ '000	2009 \$ '000		2010 \$ '000	2009 \$ '000
Net financial assets as above	137,173	134,970		147,908	150,658
Non financial assets and liabilities:					
Inventories	478	382	6	-	-
Intangible Assets	14,256	13,498	10	4,405	3,647
Other assets	22,649	3,931		25,054	6,558
Rate debtors	2,008	1,705		2,008	1,705
Property, Infrastructure, Plant & Equipment	2,791,768	2,659,254	9	2,725,319	2,598,941
Investment Properties	96,896	89,446		96,896	89,446
Net Assets/(Liabilities) Defined Super Fund	(11,157)	(10,355)		-	-
Accruals	(30,929)	(29,477)	12	(23,966)	(24,946)
Income in advance	(3,094)	(2,485)	12	(789)	(1,099)
Employee Entitlements	(33,515)	(30,688)	13	(23,342)	(21,771)
Provisions	(1,510)	(622)	14	(1,316)	(467)
Non Current Payables	(6,322)	(6,849)	12a	(6,322)	(6,849)
Net assets per Balance Sheet	2,978,700	2,822,710		2,945,856	2,795,822

Note: Refer to note 5i page 129 for detail on trade debtors, provisions and bad debts.

(c) Net fair values

The aggregate net fair value of financial assets and financial liabilities, both recognised and unrecognised at balance date are as follows:

	Consolidated				Council			
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$ 000's 2010	\$ 000's 2010	\$ 000's 2009	\$ 000's 2009	\$ 000's 2010	\$ 000's 2010	\$ 000's 2009	\$ 000's 2009
Financial Assets								
Assets								
Cash	7 295	7 295	3 866	3 866	3 363	3 363	2 315	2 315
Sundry Debtors	18 611	18 611	35 661	35 661	1 808	1 808	22 153	22 153
Short term deposits	100 568	100 568	-	-	92 538	92 538	-	-
Bank bills & NCD's	21 663	21 663	121 878	121 878	21 663	21 663	110 997	110 997
Investment in unlisted entities	3 042	3 042	3 042	3 042	32 921	32 921	32 818	32 818
Total financial assets	151 179	151 179	164 447	164 447	152 294	152 294	168 283	168 283
Financial Liabilities								
Liabilities								
Trade creditors	9 318	9 318	18 203	18 203	2 417	2 417	14 848	14 848
Deposits and retentions	3 688	3 688	3 775	3 775	1 969	1 969	2 778	2 778
Borrowings	1 000	1 000	7 500	7 500	-	-	-	-
Total financial liabilities	14 006	14 006	29 478	29 478	4 386	4 386	17 626	17 626

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

- Cash, cash equivalents and short-term deposits – the carrying amount approximates fair value because of their short term to maturity.
- Trade debtors and creditors – the carrying amount approximates fair value.
- Bank bills and negotiable certificates of deposits – there are market prices quoted daily for securities issued by any of the major four banks.
- For any other securities, a reasonable estimate of the fair value has been determined by reference to the current market value of a quoted security, and adding a credit risk margin, which is determined by reference to historical data.
- Fixed interest investments are valued at fair value.

(d) Credit risk exposures

The credit risk on financial assets of the economic entity which have been recognised in the balance sheet is generally the carrying amount, net of any provisions for doubtful debts.

(e) Risks and mitigation

The risks associated with our main financial instruments and our policies for minimising these risks are detailed below.

Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. The council's exposures to market risk are primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk. Components of market risk to which we are exposed are discussed below.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities that we use. Non derivative interest bearing assets are predominantly short term liquid assets. Our interest rate liability risk is limited to our subsidiary company's (CityWide) borrowings. Council has no direct borrowings.

Our subsidiary company CityWide has a borrowing and overdraft facility which has been arranged with a major Australian bank. Our subsidiary company manages the interest rate risk by:

- ensuring access to diverse sources of funding
- an ongoing review of borrowing levels
- having a limit imposed on the maximum borrowing amount allowed by council.

Investment of surplus funds is made with approved financial institutions under *the Local Government Act 1989*. We manage interest rate risk by adopting an investment policy that ensures:

- conformity with State and Federal regulations and standards
- adequate safety

- appropriate liquidity
- diversification by credit rating, financial institution and investment product
- monitoring of return on investment
- benchmarking of returns and comparison with budget.

Maturity will be staggered to provide for interest rate variations and to minimise interest rate risk.

Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause us to make a financial loss. We have exposure to credit risk on all financial assets included in our balance sheet. To help manage this risk:

- we have a policy for establishing credit limits for the entities we deal with
- we may require collateral where appropriate
- we only invest surplus funds with financial institutions which have a recognised credit rating specified in our investment policy.

Trade and other receivables consist of a large number of customers, spread across the consumer, business and government sectors. Credit risk associated with the council's financial assets is minimal because the main debtor is the Victorian Government and other councils. Apart from the Victorian Government and councils we do not have any significant credit risk exposure to a single customer or groups of customers. Ongoing credit evaluation is performed on the financial condition of our customers and, where appropriate, an allowance for doubtful debts is raised. The aging of receivables has been disclosed in Note 5.

We may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in note 19.

Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- we will not have sufficient funds to settle a transaction on the date
- we will be forced to sell financial assets at a value which is less than what they are worth
- we may be unable to settle or recover a financial assets at all.

To help reduce these risks we:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained
- have readily accessible standby facilities and other funding arrangements in place
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments
- monitor budget to actual performance on a regular basis
- Council has no direct borrowings.

The council's exposure to liquidity risk is deemed insignificant given our high levels of cash and cash equivalents and nil borrowings and our current assessment of risk.

The table below lists the contractual maturities for financial liabilities. These amounts represent undiscounted gross payments including both principal and interest amounts

Consolidated							
2010	6 mths	6-12	1-2	2-5	>5	Contracted	Carrying
	or less	months	years	years	years	Cash Flow	Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	45,529	-	-	-	-	45,529	45,529
Trust funds and deposits	2,458	1,500	2,500	3,822	-	10,279	10,279
Interest-bearing loans and borrowings	-	1,000	-	-	-	1,000	1,000
Total financial liabilities	47,987	2,500	2,500	3,822	-	56,808	56,808

Consolidated							
2009	6 mths	6-12	1-2	2-5	>5	Contracted	Carrying
	or less	months	years	years	years	Cash Flow	Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	75,458	-	-	-	-	75,458	75,458
Trust funds and deposits	847	1,000	1,500	4,349	-	7,696	7,696
Interest-bearing loans and borrowings	-	-	9,101	-	-	9,101	9,101
Total financial liabilities	76,305	1,000	10,601	4,349	-	92,255	92,255

Council							
2010	6 mths	6-12	1-2	2-5	>5	Contracted	Carrying
	or less	months	years	years	years	Cash Flow	Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	27,641	-	-	-	-	27,641	27,641
Trust funds and deposits	1,273	1,500	2,500	3,822	-	9,094	9,094
Interest-bearing loans and borrowings	-	-	-	-	-	-	-
Total financial liabilities	28,914	1,500	2,500	3,822	-	36,735	36,735

Council							
2009	6 mths	6-12	1-2	2-5	>5	Contracted	Carrying
	or less	months	years	years	years	Cash Flow	Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	43,671	-	-	-	-	43,671	43,671
Trust funds and deposits	-	1,000	1,500	4,349	-	6,849	6,849
Interest-bearing loans and borrowings	-	-	-	-	-	-	-
Total financial liabilities	43,671	1,000	1,500	4,349	-	50,520	50,520

(f) Sensitivity disclosure analysis

At reporting date, if interest rates had been higher or (lower) by 1 per cent and all other variables held constant, council's surplus would have increased or reduced by approximately \$1.16 million (\$1.0 million for 2009). This is mainly attributable to council's exposure to interest rates on its investment portfolio.

The table below discloses the impact on net operating result and equity for each category of financial instruments held by the council at year-end, if the above movements were to occur.

		Interest rate risk			
		-2 %		+1%	
2010	\$'000	-200 Profit \$'000	basis points Equity \$'000	+100 Profit \$'000	basis points Equity \$'000
Consolidated					
Financial Assets					
Cash and cash equivalents	129,769	(2,595)	(2,595)	1,298	1,298
Financial liabilities:					
Interest-bearing loans and borrowings	1,000	(20)	(20)	10	10
Council					
Financial Assets					
Cash and cash equivalents	117,565	(2,351)	(2,351)	1,176	1,176

(g) Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method.

The different levels have been defined as follows:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 inputs other than quoted prices included within level one that are observable for the asset or liability, either directly, such as prices, or indirectly, such as those derived from prices
- Level 3 inputs for the asset or liability that are not based on observable market data.

Consolidated

30-Jun-10	level 1	level 2	level 3	total
Consolidated				
Available for sale financial assets	14,664	-	-	14,664
Council				
Available for sale financial assets	14,664	-	-	14,664

30-Jun-09	level 1	level 2	level 3	total
Consolidated				
Available for sale financial assets	14,275	-	-	14,275
Council				
assets	14,275	-	-	14,275

Note 23. Financial ratios

	Consolidated			Council			
	2010	2009	2008	2010	2009	2008	
(a) Debt Servicing Ratio							
<u>Debt servicing cost</u>	416	0.09%	0.15%	0	0	0	0
Total revenue	452,732			341,009			
To identify the capacity of the Council to service its outstanding debt. Council's ability to meet its Debt servicing cost is extremely strong. When rounded the ratio of revenue to debt is less than 0.08%							
(b) Debt Commitment Ratio							
<u>Debt servicing and redemption costs</u>	1000	0.55%	4.00%	0	0	0	0
Rate revenue	180,670			180,670			
To identify Council's debt redemption strategy. Council's ability to meet its Debt commitment is extremely strong. When rounded the ratio of rate revenue to debt is less than 1.0%							
(c) Revenue Ratio							
<u>Rate revenue</u>	180,670	40%	39%	180,670	53%	52%	50%
Total revenue	452,732			341,009			
To identify Council's dependence on rates.							
(d) Debt Exposure Ratio							
<u>Total indebtedness</u>	100,533	3%	4%	60,121	2%	3%	3%
Total realisable assets	3,079,233			3,005,977			
To identify Council's exposure to debt. * per cent of realisable assets is required to cover debt in 2010.							
(e) Working Capital Ratio							
<u>Current assets</u>	173,271	227%	209%	146,436	294%	231%	283%
Current liabilities	76,319			49,891			

To assess Council's ability to meet current commitments.
For every dollar of current liabilities, Council has \$2.94 of current assets in 2010.

Definitions

To assess council's ability to meet current commitments.

For every dollar of current liabilities, council has \$2.94 of current assets as at 30 June 2010.

Current assets	Total current assets as shown in the balance sheet.
Current liabilities	Total current liabilities as shown in the balance sheet.
Debt redemption	Includes the principal component of repayments on loans and financial leases and capital items purchased on vendor terms.
Debt servicing costs	Includes interest and charges on loans, overdrafts and interest on payments for capital items purchased on vendor terms.
Rate revenue	Includes revenue from general rates, municipal charges, special rates, special charges, service rates and service charges.
Total indebtedness	Total liabilities, both current and non-current, as shown in the Balance Sheet.
Total realisable assets	Total current assets and total realisable non-current assets.
Total revenue	Total revenue as shown in the Income Statement.

Note 24. Events occurring after balance date

Nil.

STATEMENT BY COUNCILLORS, CHIEF EXECUTIVE AND PRINCIPAL ACCOUNTING OFFICER ON THE FINANCIAL REPORT

For the year ended 30 June 2010

In my opinion the accompanying financial report and standard statements have been prepared in accordance with the *Local Government Act 1989*, the Local Government (Finance and Reporting) Regulations 2004, Australian Accounting Standards and other mandatory professional reporting requirements.



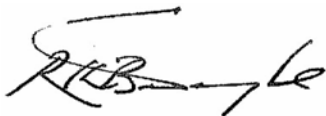
Phu Nguyen (CPA)

Principal Accounting Officer

In our opinion the accompanying financial report presents fairly the financial transactions of the Melbourne City Council Group and the Melbourne City Council for the year ended 30 June 2010 and the financial position of the Melbourne City Council Group and Melbourne City Council as at that date.

As at the date of signing, we are not aware of any circumstance, which would render any particulars in the financial report to be misleading or inaccurate.

We were authorised by the council on 31 August 2010 to certify the financial report in its final form.



Robert Doyle

Lord Mayor



Brian Shanahan

Councillor



Kathy Alexander

Chief Executive Officer

Melbourne

31 August 2010

AUDITOR-GENERAL'S REPORT ON THE FINANCIAL REPORT



Victorian Auditor-General's Office
INDEPENDENT AUDITOR'S REPORT

To the Councillors, Melbourne City Council

The Financial Report and Standard Statements

The accompanying financial report for the year ended 30 June 2010 of Melbourne City Council which comprises of comprehensive income statement, balance sheet, statement of cash flows, statement of changes in equity, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the Statement by Councillors, Chief Executive Officer and Principal Accounting Officer has been audited.

The accompanying standard statements for the year ended 30 June 2010 of the Council which comprises of standard statement of income, standard statement of balance sheet, standard statement of cash flows, standard statement of council works, the related notes and the Statement by Councillors, Chief Executive Officer and Principal Accounting Officer have been audited.

The Councillors' Responsibility for the Financial Report and Standard Statements

The Councillors of Melbourne City Council are responsible for the preparation and the fair presentation of:

- the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Local Government Act 1989*
- the standard statements in accordance with the basis of preparation as described in note 1 of the statements and the requirements of the *Local Government Act 1989*.

This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report and standard statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report and standard statements based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report and standard statements are free from material misstatement.

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

1

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office
Independent Auditor's Report (continued)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Matters Relating to the Electronic Presentation of the Audited Financial Report and Standard Statements

This auditor's report relates to the financial report and standard statements published in both the annual report and on the website of Melbourne City Council for the year ended 30 June 2010. The Councillor's of Melbourne City Council are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on Melbourne City Council website.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion:

- (a) the financial report presents fairly, in all material respects, the financial position of Melbourne City Council as at 30 June 2010 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Local Government Act 1989*.
- (b) The standard statements present fairly, in all material respects, in accordance with the basis of preparation as described in note 1 to the statements and comply with the requirements of the *Local Government Act 1989*.

MELBOURNE
8 September 2010


D D R Pearson
Auditor-General

2