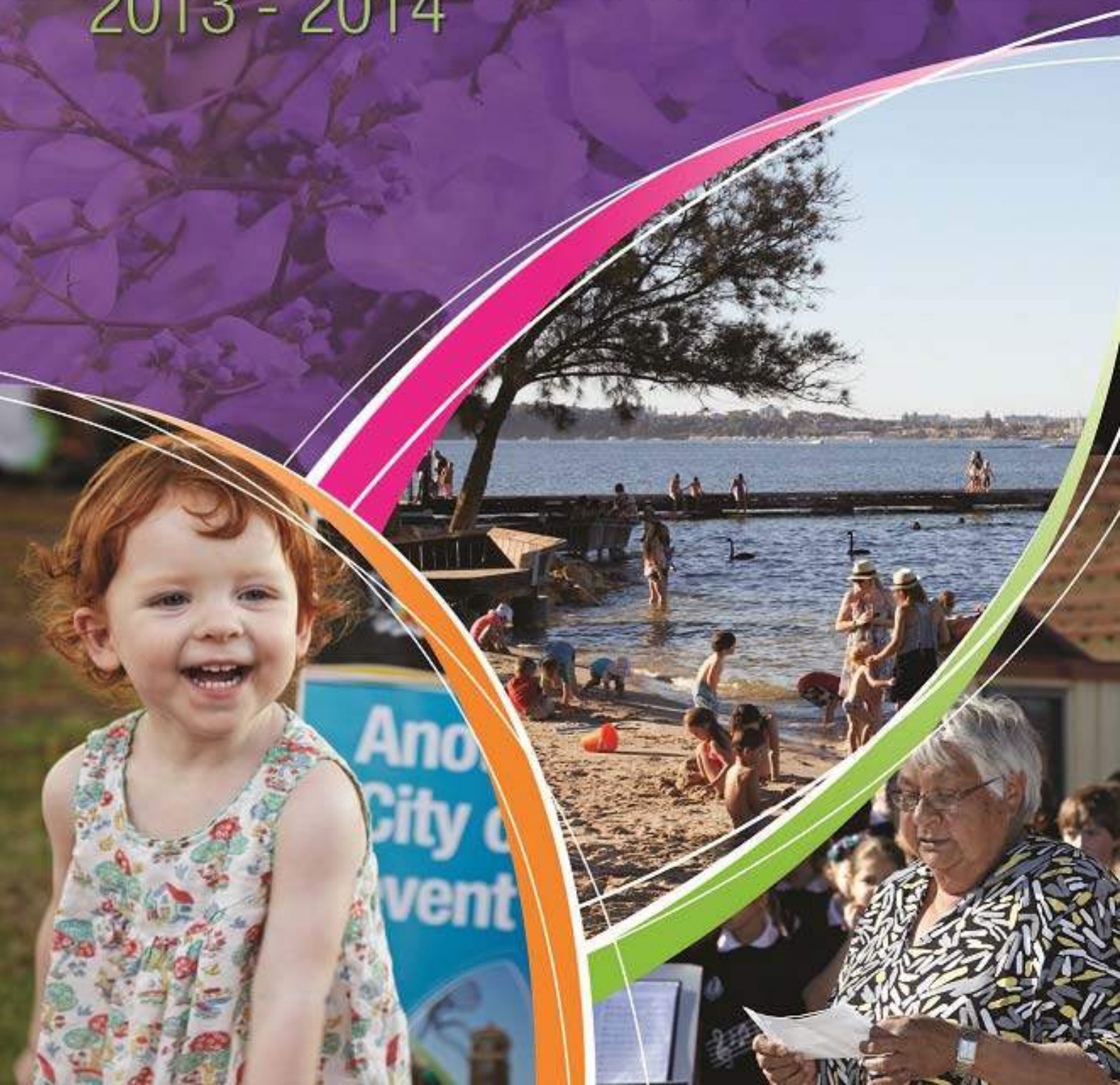




City of
Melville

Annual Financial Statements

2013 - 2014



Annual Financial Statements 2013-2014



Independent Audit Report

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INDEPENDENT AUDITOR'S REPORT**TO: RATEPAYERS OF CITY OF MELVILLE**

We have audited the financial report of the City of Melville, which comprises the Statement of Financial Position as at 30 June 2014 and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows and Rate Setting Statement for the year ended on that date and a summary of significant accounting policies and other explanatory information and the Statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional accounting bodies.

INDEPENDENT AUDITOR'S REPORT (Cont'd)

Auditor's Opinion

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

- (c) gives a true and fair view of the financial position of the City of Melville as at 30 June 2014 and of its financial performance for the year ended on that date; and
- (d) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards.

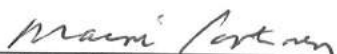
Report on Other Legal and Regulatory Requirements

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

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

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of City of Melville for the year ended 30 June 2014 included on the City of Melville's website. Management is responsible for the integrity of the City of Melville's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.


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


A MACRI
PARTNER

PERTH
DATED THIS 12TH DAY OF NOVEMBER 2014



CITY OF MELVILLE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014
LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY THE CHIEF EXECUTIVE OFFICER

The attached Financial Report of the City of Melville being the Annual Financial Report and Supporting Notes and other information for the financial year ended 30th June 2014 are in my opinion properly drawn up to present fairly the financial position of the City of Melville at 30th June 2014 and the results of the operations of the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the *Local Government Act 1995* and the *Regulations* under that Act.

Signed as authorisation of issue on the 27th day of October 2014.


Dr Shayne Silcox
CHIEF EXECUTIVE OFFICER



27th October 2014

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

Dear Sir

Management Representation Letter - External Audit, Year ended 30 June 2014

This representation letter is provided in connection with your audit of the financial report of the City of Melville for the year ended 30 June 2014, for the purpose of expressing an opinion as to whether the financial report gives a true and fair view in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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

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

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

Financial Report

1. We have fulfilled our responsibilities, as set out in the terms of the audit contract, for the preparation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended); in particular the financial report gives a true and fair view in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Australian Accounting Standards.
4. All events subsequent to the date of the financial report and for which Australian Accounting Standards require adjustment or disclosure have been adjusted or disclosed.



5. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial report as a whole.
6. All significant accounting policies which are described in Note 1 to the financial statements have been consistently applied in accordance with the requirements of the Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

Information Provided

7. We have granted you access to:
 - All information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - All internal audit reports and reports resulting from other management reviews
 - Minutes of all meetings held by the Council;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
8. All transactions have been recorded in the accounting records and are reflected in the financial report.
9. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
10. We are not aware of any instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
11. We are not aware of any actual or possible litigation and claims whose effects should be considered when preparing the financial report; and accounted for and disclosed in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).
12. We have no current plans or intentions that may materially affect the carrying values, or classification, of assets and liabilities.
13. The following, where applicable, have been properly recorded and/or disclosed in the financial report:
 - (a) related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees (written or oral);
 - (b) compensating balances and line-of-credit or similar arrangements;
 - (c) agreements to repurchase assets previously sold;
 - (d) capital commitments, material liabilities, or contingent liabilities or assets including those arising under derivative financial instruments;
 - (e) unasserted claims or assessments that our solicitors have advised us are probable of assertion; and
 - (f) losses arising from the fulfilment of, or an inability to fulfil, any sale commitments or as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.



14. We are not aware of any violations or possible violations of laws or regulations which might result in the Council suffering significant penalties or other losses and whose effects should be considered for disclosure in the financial report or as a basis for recording an expense.
15. Details have been furnished to you about all material contracts and agreements that would have a material effect on the financial report for the year ended 30 June 2014 or that have become effective since that date.

Fraud and error

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

Receivables

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

Apart from the provision for impairment in receivables provided in the financial report, we expect the outstanding debtors to be recoverable.

Inventories

19. Inventories in the statement of financial position comprise the whole of the Council's inventories. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

Financial instruments

20. We have not derecognised any financial instruments that would have met the derecognition criteria of AASB 139 *Financial Instruments: Recognition and Measurement*.
21. All instruments recorded as equity instruments meet the definition of equity in AASB 132 *Financial Instruments: Presentation*.
22. The sensitivity analysis disclosed in the financial report for price risk, credit risk, liquidity risk and interest rate risk are all based upon reasonably possible fluctuations in prices, interest rates, credit terms for the period until the next annual financial report is expected to be signed.



23. All quantitative disclosures in the financial report relating to risk exposures in respect of financial instruments at reporting date are representative of exposures during the financial year.
24. All concentrations of credit risk, liquidity risk and market risk (including interest rate risk and other price risk) have been properly disclosed in the financial report.
25. Disclosures in the notes forming the accounts relating to processes for managing risk of financial instruments reflect actual processes in place during the reporting period.

Property, Plant and Equipment and Infrastructure

26. The Council has satisfactory title to all assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral. Allowances for depreciation have been adjusted for all important items of property, plant and equipment that have been abandoned or are otherwise unusable.
27. The additions during the 2014 financial year to property, plant and equipment and infrastructure general ledger control accounts and asset registers represent the cost of additions and or improvements to existing facilities or replacements thereof. All units of property which have been replaced, sold, dismantled or otherwise disposed of, or which are permanently unusable, have been removed from general ledger and applicable asset register. Adequate provision, determined in a manner consistent with that of the preceding financial year, has been made to write-off depreciable assets over their useful economic working lives.

No circumstances have arisen which render adherence to the existing basis of depreciation misleading or inappropriate and that depreciation expense for the financial year ended 30 June 2014 is reliable.

28. All additions to depreciable assets represent actual additions or improvements of a capital nature, based on capitalisation thresholds consistently applied for the 2014 financial year and unchanged from the 2013 financial year.
29. Where the recorded carrying amount of any depreciable assets exceeds its recoverable amount as at 30 June 2014, that asset's recorded carrying amount has been written down to its recoverable amount.
30. Depreciation expense reported in the 2014 Statement of Comprehensive Income is reliable, being based on reliable 'whole of life' asset management information for each class of depreciable non-current asset.
31. There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the financial report.

Fair Values

32. The revaluation of the City of Melville's Property, Plant and Equipment and Infrastructure Assets for the 2014 financial year for financial reporting purposes has been performed in accordance with the Australian Accounting Standards. These include (where appropriate) –
 - AASB 13 *Fair Value Measurement*
 - AASB 116 *Property Plant and Equipment*
 - AASB 5 *Assets Held for Sale*
 - AASB 140 *Investment Properties*
 - AASB 117 *Leases*
 - AASB 136 *Impairment*



33. We acknowledge our responsibility to review the results and critically assess the outcomes of the valuation performed by the external valuers.
34. We have analysed the valuation results with respect to the following:
- Detailed methodology and description about the valuation processes used
 - Detailed description of valuation inputs and techniques
 - Narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs
 - Quantitative information about the significant unobservable inputs
 - Highest and best use principle.
 -

Consequently, we are satisfied with the results of the valuation performed by APV and confirm that the movements in the asset values are reasonable.

35. In our opinion, the respective fair values of the assets covered by this valuation exercise meet the requirements of the Accounting Standards and Regulation 17A(2) of the Local Government (Financial Management) Regulations 1996.
36. Fair Value disclosures in the notes forming part of the financial report have been adequately made to satisfy the requirements of AASB 13 *Fair Value Measurement*.

Work in progress

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

Impairment of Assets

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

Liabilities

40. All material liabilities at the statement of financial position date have been taken up in the books of account, including the liability for all purchases to which title has passed prior to the balance date, and for all items including the inventory.
41. No asset of the Council has been pledged as security for any liability, except as disclosed in financial report.
42. There are no financial guarantee contracts in place to third parties which could be called upon in the event of a default.



Insurance

43. We confirm that best practice risk management techniques are used and the assistance of appointed consultants is arranged in assessing insurable risk and in managing the Council's insurance portfolio. The Council has an established procedure whereby an officer reviews at least annually the adequacy of insurance cover on all assets and insurable risks. In our judgment, all reasonable commercial considerations are included in arriving at insurable risk. To the best of our knowledge and belief, the Council's assets are securely covered by adequate insurances to cover losses arising from fraud, loss of earnings, fire, flood or other reasonably insurable events in the next financial year.

Taxation

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

Leases

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

Commitments for Capital Expenditure

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

Contingent Liabilities

47. There was no further contingent liabilities required to be disclosed, other than those currently disclosed in the financial report.

Financial Ratios (Key Performance Indicators)

48. We have reported the Financial Ratios (key performance indicators) of effectiveness and efficiency and consider the indicators to be relevant and appropriate for assisting users to assess the City of Melville's performance and the information disclosed to fairly represent indicated performance for the year ended 30 June 2014.

Going Concern

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



Events subsequent to the Reporting Period

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

Results for the Year

51. The results for the year were not materially affected by:
- (a) Any change on the basis of accounting;
 - (b) Circumstances of significant nature;
 - (c) Charges or credits relating to prior years.

Electronic Presentation of Audited Financial Report

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

We understand that the examination of the controls over the electronic presentation of audited financial information on the website is beyond the scope of the audit of the financial statements. Responsibility for the electronic presentation of the financial statements on the website is that of the management of the City of Melville.

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

Yours Faithfully



CHIEF EXECUTIVE OFFICER

NAME: Dr Shayne Silcox

DATE: 27th October 2014

CITY OF MELVILLE
STATEMENT of COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2014

	Note	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Revenue				
Rates	14	56,065,000	56,113,024	52,526,896
Operating Grants, Subsidies and Contributions	19	2,111,356	2,939,470	3,674,091
Fees & Charges	17	31,204,126	30,436,312	29,050,922
Service Charges	18	4,005,348	4,009,632	8,313,029
Interest Earnings	2(a)	4,593,966	3,821,000	5,110,787
Other Revenue		2,755,490	1,963,652	4,095,793
		100,735,286	99,283,090	102,771,518
Expenses				
Employee Costs		(39,610,207)	(40,737,457)	(38,007,354)
Materials & Contracts		(27,260,693)	(27,054,185)	(24,945,966)
Utility Charges		(4,057,748)	(3,890,424)	(3,770,067)
Insurance Expenses		(1,398,847)	(1,575,130)	(1,464,121)
Depreciation on Non-Current Assets	2(a)	(13,706,830)	(15,922,137)	(21,467,696)
Interest Expenses	2(a)	(218,985)	(231,863)	(238,803)
Other Expenditure		(4,644,211)	(4,203,912)	(11,404,060)
		(90,897,522)	(93,615,109)	(101,298,066)
		9,837,765	5,667,981	1,473,452
Grants/Contributions for the Development of Assets				
Non-Operating Grants, Subsidies and Contributions	19	2,097,627	2,930,439	3,262,202
(Profit)/Loss on Disposal of Assets	10			
Profit on Asset Disposals		182,875	6,050	1,869,648
Loss on Asset Disposals		(375,792)	-	(5,003,515)
		11,742,475	8,604,470	1,601,787
Other Revenue / (Expenses)				
Investment Gains		1,748,659	-	6,022,160
Investment (Losses)		(9,873)	-	-
Increase / (Decrease) in Equity - SMRC	24	963,122	-	(1,254,527)
		2,701,908	-	4,767,633
NET RESULT		14,444,383	8,604,470	6,369,421
Other Comprehensive Income/(Expenditure)				
Changes on Revaluation of Non-Current Assets	10	25,509,942	-	50,360,474
Total Other Comprehensive Income		25,509,942	-	50,360,474
TOTAL COMPREHENSIVE INCOME		39,954,325	8,604,470	56,729,895

CITY OF MELVILLE
STATEMENT of COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2014

	Note	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Revenue				
Governance		2,391,208	1,561,852	2,568,219
General Purpose Funding		64,771,997	67,774,462	67,787,301
Law, Order, Public Safety		2,778,556	2,575,492	2,527,449
Health		248,862	263,590	244,657
Education & Welfare		385,429	326,927	300,810
Housing		63,662	58,966	71,078
Community Amenities		17,045,139	17,008,377	16,484,597
Recreation and Culture		10,402,849	9,565,558	9,984,086
Transport		4,291,259	2,683,878	5,650,865
Other Property and Services		453,952	400,477	414,656
		102,832,913	102,219,579	106,033,720
Expenses Excluding Finance Costs				
Governance		(11,072,015)	(11,760,677)	(10,053,717)
General Purpose Funding		(2,314,739)	(2,208,200)	(6,554,199)
Law, Order, Public Safety		(3,753,138)	(3,900,624)	(3,660,689)
Health		(928,472)	(957,517)	(939,474)
Education & Welfare		(5,462,332)	(5,473,488)	(5,159,291)
Housing		(42,879)	(50,431)	(50,009)
Community Amenities		(19,828,655)	(19,616,325)	(19,166,048)
Recreation and Culture		(29,359,738)	(28,055,983)	(28,232,681)
Transport		(9,830,393)	(10,223,296)	(16,127,818)
Economic Services		(104,897)	(107,789)	(96,488)
Other Property and Services		(8,174,196)	(11,028,914)	(14,152,716)
		(90,871,452)	(93,383,246)	(104,193,130)
		11,961,461	8,836,333	1,840,590
Finance Costs				
Recreation and Culture	2(a)	(218,985)	(231,863)	(238,803)
		(218,985)	(231,863)	(238,803)
		11,742,475	8,604,470	1,601,787
Other Revenue / Expenses				
Investment Gains		1,748,659	-	6,022,160
Investment (Losses)		(9,873)	-	-
Increase / (Decrease) in Equity - SMRC	24	963,122	-	(1,254,527)
		2,701,908	-	4,767,633
NET RESULT		14,444,383	8,604,470	6,369,421
Other Comprehensive Income				
Changes on Revaluation of Non-Current Assets	10	25,509,942	-	50,360,474
Total Other Comprehensive Income		25,509,942	-	50,360,474
TOTAL COMPREHENSIVE INCOME		39,954,325	8,604,470	56,729,895

CITY OF MELVILLE
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2014

	Note	2013/14 Actual \$	2012/13 Actual \$
Current Assets			
Cash & Cash Equivalents	4	91,866,339	80,459,359
Investments	5	1	82,238
Trade & Other Receivables	6	6,568,077	7,225,330
Inventories	7	127,349	145,313
Other Assets	7	593,472	237,084
Total Current Assets		99,155,237	88,149,324
Non Current Assets			
Trade & Other Receivables	6	5,454,743	6,528,434
Property, Plant & Equipment	10(a)	278,808,697	305,625,194
Infrastructure	10(b)	268,612,853	237,561,918
Investment Property	10(c.)	35,009,120	11,688,077
Other Financial Assets	5	7,919,039	6,955,917
Total Non Current Assets		595,804,451	568,359,540
TOTAL ASSETS		694,959,688	656,508,864
Current Liabilities			
Trade & Other Payables	8	9,481,147	10,841,009
Provisions	9	6,161,683	5,609,839
Borrowings	11	268,319	273,452
Total Current Liabilities		15,911,149	16,724,300
Non Current Liabilities			
Trade & Other Payables	8	1,145,739	1,625,836
Borrowings	11	3,070,194	3,435,740
Provisions	9	793,340	842,957
Total Non Current Liabilities		5,009,273	5,904,533
TOTAL LIABILITIES		20,920,422	22,628,833
NET ASSETS		674,039,265	633,880,031
Equity			
Retained Surplus		255,190,131	249,874,603
Reserves - Cash / Investment Backed	12	83,077,297	73,948,442
Asset Revaluation Surplus	12(a)	335,771,837	310,056,986
TOTAL EQUITY		674,039,265	633,880,031

CITY OF MELVILLE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2014

	Note	RETAINED SURPLUS \$	RESERVES CASH/INVEST BACKED \$	ASSET REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2012		253,003,996	64,449,628	259,696,513	577,150,137
Net Result		6,369,421	-	-	6,369,421
Total Other Comprehensive Income Changes on Revaluation of Non- Current Assets		-	-	50,360,473	50,360,473
Funds to be (Set Aside) / Used	12	(9,498,814)	9,498,814	-	-
Balance as at 30 June 2013		249,874,603	73,948,442	310,056,986	633,880,031
Net Result		14,444,383	-	-	14,444,383
Total Other Comprehensive Income Changes on Revaluation of Non- Current Assets	12(a)	-	-	25,714,851	25,714,851
Funds to be (Set Aside) / Used	12	(9,128,855)	9,128,855	-	-
Balance as at 30 June 2014		255,190,131	83,077,297	335,771,837	674,039,265

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

**CITY OF MELVILLE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2014**

	Note	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Cash Flows from Operating Activities				
Receipts				
Rates		56,347,250	56,113,024	51,858,472
Fees and Charges		32,158,621	30,225,864	29,808,075
Service Charges		4,005,348	4,422,432	8,313,029
Interest Earnings		4,042,871	3,849,683	3,821,942
Operating Grants, Subsidies and Contributions		2,111,356	2,939,470	3,674,091
Goods and Services Tax		4,053,360	-	5,236,079
Other Revenue		3,099,101	1,963,652	3,573,424
		105,817,907	99,514,126	106,285,112
Payments				
Employee Costs		(38,882,465)	(40,768,654)	(37,113,435)
Materials and Contracts		(28,802,554)	(26,875,057)	(25,353,389)
Utility Charges		(4,057,748)	(3,890,424)	(3,770,067)
Insurance Expenses		(1,398,847)	(1,575,130)	(1,464,121)
Interest Expenses		(96,446)	105,510	112,116
Goods and Services Tax		(4,078,744)	-	(5,289,296)
Other Expenditure		(4,919,399)	(4,203,912)	(11,893,258)
		(82,236,203)	(77,207,666)	(84,771,450)
Net Cash Provided by Operating Activities	28(ii)	23,581,704	22,306,460	21,513,662
Cash Flows from Investing Activities				
(Increase) / Decrease in Investments		1,821,023	-	6,484,590
Proceeds from Sale of Plant and Equipment	10	1,848,220	921,677	1,556,593
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets	19	2,097,627	2,334,292	3,262,202
Payments for Purchase of Property, Plant and Equipment	10	(6,404,023)	(7,492,845)	(7,602,709)
Payments for Construction of Infrastructure	10	(11,537,572)	(14,777,263)	(12,374,456)
Net Cash Used in Investing Activities		(12,174,725)	(19,014,139)	(8,673,780)
Cash Flows from Financing Activities				
Repayment of Debentures		100,500	-	(199,858)
Repayment of Self Supporting Loans		(370,679)	282,960	(513,819)
Proceeds from Self Supporting Loans		270,179	(282,400)	283,677
Proceed from New Debentures		-	-	430,000
Net Cash Provided by (Used In) Financing Activities		-	560	-
Net Increase / (Decrease) in Cash Held		11,406,980	3,292,881	12,839,882
Cash at Beginning of Year		80,459,359	54,195,625	67,619,477
Cash and Cash Equivalents at the End of Year	28(i)	91,866,339	57,488,505	80,459,359

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

CITY OF MELVILLE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2014

	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Revenue			
Governance	2,391,208	1,561,852	2,568,219
General Purpose Funding	10,455,656	8,731,000	21,282,565
Law, Order, Public Safety	2,778,556	2,575,492	2,527,449
Health	248,862	263,590	244,657
Education & Welfare	385,429	326,927	300,810
Housing	63,662	58,966	71,078
Community Amenities	17,045,139	17,008,377	16,484,597
Recreation and Culture	10,402,849	9,701,557	9,984,086
Transport	4,291,259	5,478,318	5,650,865
Other Property and Services	1,417,074	400,476	414,656
	49,479,694	46,106,555	59,528,984
Expenses			
Governance	(11,072,015)	(11,760,677)	(11,308,244)
General Purpose Funding	(2,324,612)	(2,208,200)	(6,554,199)
Law, Order, Public Safety	(3,753,138)	(3,900,624)	(3,660,689)
Health	(928,472)	(957,517)	(939,474)
Education & Welfare	(5,462,332)	(5,473,488)	(5,159,291)
Housing	(42,879)	(50,431)	(50,009)
Community Amenities	(19,828,655)	(19,616,325)	(19,166,048)
Recreation and Culture	(29,578,723)	(28,287,846)	(28,471,484)
Transport	(9,830,393)	(10,223,296)	(16,127,818)
Economic Services	(104,897)	(107,789)	(96,488)
Other Property and Services	(8,174,196)	(11,028,916)	(14,152,716)
	(91,100,311)	(93,615,109)	(105,686,460)
Adjustments for Cash Budget Requirements			
Non-Cash Revenue & Expenditure			
(Profit) / Loss on Asset Disposals	192,917	(6,050)	3,133,867
Depreciation on Assets	13,706,830	15,922,137	21,467,696
Plant Investment Provision	517,994	270,218	289,833
Investments Impaired / (Written Off)	(1,867,763)	-	(8,187,570)
Increase in Equity - SMRC Joint Venture	(963,122)	-	1,254,527
Impairment Loss(Plant & Equipment)	204,908	-	-
Net Current Movement in Other Debtor/Creditors	(350,000)	-	(550,000)
Initial Recognition of Assets Due to Change to Regulations - Crown Land	-	-	(484,000)
Movement in Deferred Pensioner Rates/ESL (non-current)	8,145	-	(59,214)
Movement in Employee Benefit Provisions (non-current)	(49,617)	-	126,841
	11,400,293	16,186,305	16,991,979
Capital Revenue & Expenditure			
Purchase of Furniture & Equipment	(1,448,369)	(2,145,769)	(1,884,789)
Purchase of Plant & Equipment	(3,148,164)	(2,630,957)	(2,642,618)
Purchase of Land & Buildings	(1,807,491)	(2,466,100)	(3,075,302)
Purchase of Infrastructure Assets	(11,353,523)	(15,788,547)	(12,403,487)
Work in Progress	(184,049)	-	(148,090)
Proceeds from Disposal of Assets	1,848,220	655,100	1,556,593
Proceeds from New Loan	-	-	430,000
Repayment of Debentures	(370,679)	(273,451)	(483,535)
Self-Supporting Loan Principal Revenue	370,679	266,965	53,534
Funds to be Set Aside	(22,721,187)	(19,259,238)	(23,314,514)
Funds to be Used	19,731,290	15,051,224	21,458,539
Carry Forward Funds to be Set Aside	(6,138,958)	-	(7,642,838)
	(25,222,229)	(26,590,773)	(28,096,508)
ADD : Surplus/(Deficit) - July 1 B/Fwd	944,344	1,800,000	5,679,453
LESS : (Surplus)/Deficit - June 30 C/Fwd	(1,566,790)	-	(944,344)
Amount Required to be Raised from Rates	(56,065,000)	(56,113,024)	(52,526,896)

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

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

Critical Accounting Estimates

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

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

(b) The Local Government Reporting Entity

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

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

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

(c) Cash and Cash Equivalents

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

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

(d) Superannuation

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

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

(e) Goods and Services Tax

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

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and payables in the statement of financial position are stated inclusive of applicable GST. The net amount of GST recoverable from or payable to the Australian Taxation Office (ATO) is included with receivables or payables in the Statement of Financial Position. Cash flows are presented on a Gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

(f) Trades and Other Receivables

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

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

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

(g) Inventories

General

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

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

Land Held for Resale

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

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

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

(h) Fixed Assets

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

Mandatory Requirement to Revalue Non-Current Assets

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

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

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

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

(i) that are plant and equipment; and

(ii) that are -

(I) land and buildings; or

(II) infrastructure;

and

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

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

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Land Under Control

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

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

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

Consequently, these assets were initially recognised at cost but revalued along with other items of Land and Buildings at 30 June 2014.

Initial Recognition

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

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

Transitional Arrangement

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

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

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

Early Adoption of AASB 13 - Fair Value Measurement

Whilst the new accounting standard in relation to Fair Value, AASB 13 - Fair Value Measurement only became applicable for the year ended 30 June 2014 (in relation to the City), given the legislative need to commence using Fair Value methodology in the previous reporting period (year ended 30 June 2013), the City chose to early adopt AASB 13 (as allowed for in the standard).

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

**CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land Under Roads

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

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

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

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

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

Easements

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

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

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income in the period in which they arise.

When revalued assets are disposed of, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

(i) Fair Value of Assets and Liabilities

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

Fair Value is the price that City would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset (i.e. the market with the greatest volume and level of activity for the asset or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period or the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset at its highest and best use or to sell it to another market participant that would use the asset at its highest and best use.

Fair Value Hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The City selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the City are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

Valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing therefore are developed using the best information available about such assumptions are considered unobservable.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

(j) Financial Instruments

Initial Recognition and Measurement

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

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

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction for impairment; and
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount.

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. They are subsequently measured at fair value with changes to carrying amount being included in profit or loss.

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments and fixed maturities that the City's management has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit and loss.

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

(iv) Available-for-sale financial assets

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

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

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

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Financial liabilities

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

Impairment

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

In the case of available-for-sale financial instruments, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in Other Comprehensive Income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Derecognition

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

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

(k) Impairment of Assets

In accordance with Australian Accounting Standards the City's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

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

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

(l) Trade and Other Payables

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

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee Benefits

Short-Term Employee Benefits

Provision is made for the City's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The City's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The City's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the Statement of Financial Position.

Other Long-Term Employee Benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The City's obligations for long-term employee benefits are presented as non-current provisions in its Statement of Financial Position, except where the City does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(n) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

(o) Provisions

Provisions are recognised when the City has present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

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

(p) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the City, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

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

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

**CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 4(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operation for the current reporting period.

(r) Rounding Off Figures

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

(s) Comparative Figures

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

When the City applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(t) Current and Non-Current Classification

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

(u) Budget Comparative Figures

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

(v) Events after the Reporting Period

On the 22nd of October 2014 the Premier and the Minister for Local Government announced local government boundary changes which will affect the City of Melville. The net result of those changes will result in an increase in the physical size of the land area encompassed by the City of Melville from 53 to 83 km² and from a population of 106,335 to approximately 127,000 in 2015.

The announced boundary changes will be effective from 1 July 2015 and the City is still in the process of quantifying the amount that this change will have on its accounts.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting some of which are relevant to the City.

Management's assessment of the new and amended pronouncements that are relevant to the City, applicable to future reporting periods and which have not yet been adopted are set out as follows:

	Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i)	AASB 9 – Financial Instruments	December 2013	1 January 2017	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the City, it is not anticipated the standard will have any material effect.
(ii)	AASB 2010 -7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2013	1 January 2017	Nil - The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the City (refer (i) above).
(iii)	AASB 2011 - 7 Amendments to Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entities] [AASB 1, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 131, 132, 133, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	December 2012	1 January 2014	Consequential changes to various standards arising from the issuance of AASB 10, 11, 12, 127 and 128. It is not expected to have a significant impact on the City.
(iv)	AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	June 2012	1 January 2014	This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. This Standard is not expected to significantly impact the City's financial statements.
(v)	AASB 2013 - 3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets	June 2013	1 January 2014	This standard makes amendments to AASB 136 and includes requirements to disclose additional information when present value techniques are used to measure the recoverable amount of impaired assets. It is not expected to have a significant impact on the City.
(vi)	AASB 2013-8: Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049]	October 2013	1 January 2014	This standard adds Appendix E to AASB 10 to provide implementation guidance for Not-for-Profit entities regarding control criteria from the perspective of not-for-profit entities. It is not expected to have a significant impact on City.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(vii) AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	December 2013	Refer Title column	Part A of this standard makes various editorial corrections to Australian Accounting Standards.
[Operative dates: Part A Conceptual Framework – 20 December 2013; Part B Materiality – 1 January 2014; Part C Financial Instruments – 1 January 2015]			Part B of this standard deletes references to AASB 1031 in various Australian Accounting Standards in advance of the withdrawal of AASB 1031.
			Part C of this standard makes consequential amendments to AASB 9 and numerous other standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value.
			As the bulk of changes related either to editorial or reference changes it is not expected to have a significant impact on the City.

Notes:

⁽¹⁾ Applicable to reporting periods commencing on or after the given date.

(x) Adoption of New and Revised Accounting Standards

During the current year, the City adopted all of the new and revised Australian Accounting Standards and Interpretations which were compiled, became and which were applicable to its operations.

These new and revised standards were:

AASB 10	AASB 128	AASB 2012 - 2
AASB 11	AASB 2011 - 7	AASB 2012 - 3
AASB 12	AASB 2011 - 9	AASB 2012 - 5
AASB 119	AASB 2011 - 10	AASB 2012 - 10
AASB 127		

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

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

2. OPERATING REVENUES AND EXPENSES

(a) Net Result:

	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
(i) Charging as Expenses:			
Depreciation			
<u>By Class</u>			
Infrastructure	5,848,488	8,551,889	14,593,508
Building	4,213,062	3,430,542	3,540,087
Mobile Plant	973,958	2,000,754	1,217,572
Plant & Equipment	1,682,035	1,299,370	1,311,100
Computer Equipment	626,359	434,919	592,078
Furniture & Fittings	362,927	204,662	213,351
	13,706,830	15,922,137	21,467,696
Borrowing Costs Expense	218,985	231,863	238,803
Auditors Remuneration			
Audit of the Financial Report	20,840	25,000	19,280
Project / Acquittal Audits	2,700	1,200	2,600
Profit on Asset Disposals	182,875	6,050	1,869,648
Loss on Asset Disposals	(375,792)	-	(5,003,515)
(ii) Crediting as Revenues			
Significant Revenue / (Expenses)			
General Purpose Funding*	1,738,786	-	6,022,160
Community Amenities [#]	963,122	-	(1,254,527)
Recreation and Culture [`]	-	-	484,000
This significant revenue / (expenses) relates to:			
*This relates to the City's CDO investments that was written down in previous years.			
[#] The recognition of the City's interest in its Joint Venture with the SMRC (refer to Note 25 for further detail)			
[`] The initial recognition of Land under the City's control in accordance with amendments to the Financial Management Regulations			
Interest Earnings			
<u>Investments</u>			
Reserve Funds	3,342,205	2,300,000	3,277,697
Other Funds	1,251,762	1,521,000	1,833,090
	4,593,966	3,821,000	5,110,787

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

3. DISCLOSURE REQUIREMENTS

Statement of Objectives

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

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

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

3. DISCLOSURE REQUIREMENTS (Continued)

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

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

4. CASH and CASH EQUIVALENTS

	2013/14 Actual \$	2012/13 Actual \$
(a) Current Assets		
Cash on Hand	7,600	7,450
Cash at Bank (Includes 11am at call accounts)	2,825,051	6,398,155
Term Deposits, Bonds & Floating Rate Term Deposits	89,033,688	74,053,754
Cash and Cash Equivalents	91,866,339	80,459,359
Investments	1	82,238
(Available for Sale)*See Note 5		
	91,866,340	80,541,597
Represented by		
Restricted Funds	82,027,298	71,030,679
Unrestricted Funds	9,839,042	9,510,918
*See Note 12 & Note 13	91,866,340	80,541,597
(b) Restricted Funds		
The following restrictions have been imposed by regulations or other externally imposed requirements:		
(a) Reserve Funds	82,027,298	71,030,679
Total Restricted Funds	82,027,298	71,030,679
*See Note 12		
(c) Conditions Over Contributions		
Grants/contributions recognised as revenues in a previous reporting period which were not expended at the close of the previous reporting period.		
Transport	-	579,330
Other Property and Services	-	1,126,120
New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the mannerspecified by the contributor.		
Transport	-	579,330
Other Property and Services	-	1,126,120
Grants/contributions which have been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.		
Transport	579,330	574,694
Other Property and Services	1,126,120	1,082,674

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

5. INVESTMENTS & NON-CURRENT ASSETS

Non-Current Assets	2013/14 Actual \$	2012/13 Actual \$
Units (10) held in Local Government House	230,645	230,645
Equity - SMRC Joint Venture (Refer Note 24)	7,688,394	6,725,272
Total Other Financial Assets	7,919,039	6,955,917

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

Investments	2013/14 Actual \$	2012/13 Actual \$
Available For Sale - Financial Assets	1	82,238
	1	82,238
Available For Sale - Financial Assets		
CDOs	1	82,238
	1	82,238

Due to the lack of an active market for Collateralised Debt Obligation (CDO) investments and the ongoing uncertainty in world financial markets, the City has chosen to continue to take a very conservative approach and decided to value its last remaining CDO down to \$1.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

6. TRADE AND OTHER RECEIVABLES

		2013/14 Actual \$	2012/13 Actual \$
Current			
Rates Outstanding		2,612,964	2,887,068
Sundry Debtors	330,290		
Less: Provision for Bad and Doubtful Debts	(6,280)	324,010	528,505
Other Debtors		-	750,000
Goods and Services Tax Refund		716,527	691,142
Accrued Income		2,646,257	2,095,162
Loans - Clubs and Community Groups		268,319	273,452
		6,568,077	7,225,330
Non-Current			
Other Debtors		1,150,000	1,850,000
Deferred Rates - Pensioners *		1,234,549	1,242,694
Loans - Clubs and Community Groups		3,070,194	3,435,740
		5,454,743	6,528,434
* Amounts deferred by eligible pensioners in accordance with the Rates and Charges (Rebates and Deferments) Act 1992.			

7. INVENTORIES AND OTHER ASSETS

		2013/14 Actual \$	2012/13 Actual \$
(a) INVENTORIES			
Fuel and Materials at Cost		127,349	145,313
		127,349	145,313
(b) OTHER ASSETS			
Prepayments (Prepaid Expenses)		593,472	237,084
		593,472	237,084

8. TRADE AND OTHER PAYABLES

		2013/14 Actual \$	2012/13 Actual \$
Current			
Trade Creditors		6,489,288	8,178,656
Other Creditors		500,000	500,000
Accrued Interest		64,901	83,449
Accrued Salaries and Wages		1,364,339	1,138,824
Amounts Received in Advance		1,062,619	940,080
		9,481,147	10,841,009
Non-Current			
Other Creditors		800,000	1,300,000
Creditors		345,739	325,836
		1,145,739	1,625,836

9. PROVISIONS

		2013/14 Actual \$	2012/13 Actual \$
Current			
Provision for Annual Leave		2,860,881	2,723,564
Provision for Long Service Leave		3,300,802	2,886,275
		6,161,683	5,609,839
Non-Current			
Provision for Long Service Leave		793,340	842,957
		793,340	842,957

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

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

(a) Property, Plant and Equipment	2013/14 Actual \$	2012/13 Actual \$
Land		
At Management Valuation	169,849,000	169,849,000
Less : Transfer to Investment Property	(23,330,402)	-
Less : Disposal	(1,200,000)	-
Closing Written Down Value	145,318,598	169,849,000
Buildings		
At Management Valuation	119,136,280	119,136,280
Add : Addition at Cost	1,807,491	-
Less : Accumulated Depreciation	(7,610,815)	(3,398,885)
Closing Written Down Value	113,332,956	115,737,394
Land Vested In & Under Council Control		
At Management Valuation	484,000	484,000
Closing Written Down Value	484,000	484,000
Plant and Equipment		
At Management Valuation	17,811,115	17,811,115
Add : Addition at Cost Since Valuation	1,944,260	-
Less : Disposal	(261,247)	-
Less : Accumulated Depreciation	(10,451,284)	(8,992,954)
Closing Written Down Value	9,042,844	8,818,161
Electronic Equipment		
At Management Valuation	422,609	422,609
Add : Addition at Cost Since Valuation	127,896	-
Less : Disposal	(26,129)	-
Less : Accumulated Depreciation	(339,365)	(315,238)
Closing Written Down Value	185,011	107,371
Furniture and Fittings		
At Management Valuation	3,786,344	3,786,344
Add : Addition at Cost Since Valuation	609,653	-
Less : Disposal	(293,730)	-
Less : Accumulated Depreciation	(2,394,300)	(2,307,581)
Closing Written Down Value	1,707,967	1,478,763
Computer Equipment		
At Management Valuation	5,211,188	5,211,188
Add : Addition at Cost Since Valuation	634,050	-
Less : Disposal	(69,466)	-
Less : Accumulated Depreciation	(4,429,379)	(3,860,470)
Closing Written Down Value	1,346,393	1,350,718
Property Improvements		
At Management Valuation	1,369,156	1,369,156
Less : Accumulated Depreciation	(1,319,601)	(1,273,430)
Closing Written Down Value	49,555	95,726

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

(a) Property, Plant and Equipment(continued)		2013/14 Actual \$	2012/13 Actual \$
Mobile Plant			
At Management Valuation		7,047,080	7,047,080
Add : Addition at Cost Since Valuation		1,203,904	-
Less : Disposal		(872,668)	-
Less : Accumulated Depreciation		(1,111,404)	(340,710)
Closing Written Down Value		6,266,912	6,706,370
Artworks			
At Management Valuation		1,010,720	1,010,720
Add : Addition at Cost Since Valuation		76,770	-
Less : Accumulated Depreciation		(13,029)	(13,029)
Closing Written Down Value		1,074,461	997,691
Total Property, Plant and Equipment			
At Management Valuation		326,127,492	326,127,492
Add : Addition at Cost Since Valuation		6,404,024	-
Less : Disposal		(2,723,240)	-
Less : Transfer to Investment Property		(23,330,402)	-
Less : Accumulated Depreciation		(27,669,178)	(20,502,298)
Closing Written Down Value		278,808,697	305,625,194
(b) Infrastructure			
Infrastructure - Roads			
At Management Valuation as at 2014		254,920,798	253,987,012
Less : Accumulated Depreciation		(109,879,693)	(107,496,530)
Closing Written Down Value		145,041,105	146,490,482
Infrastructure - Drains			
At Management Valuation as at 2014		116,732,968	118,592,778
Less : Accumulated Depreciation		(66,803,553)	(66,384,427)
Closing Written Down Value		49,929,415	52,208,351
Infrastructure - Footpath			
At Independent Valuation as at 2014		86,018,246	50,726,377
Less : Accumulated Depreciation		(22,458,604)	(22,032,928)
Closing Written Down Value		63,559,642	28,693,449
Infrastructure - Parks			
At Management Valuation as at 2014		7,686,601	7,295,157
Less : Accumulated Depreciation		(6,056,629)	(4,921,419)
Closing Written Down Value		1,629,972	2,373,738
Infrastructure - Street Furniture			
At Management Valuation as at 2014		8,702,724	8,634,073
Less : Accumulated Depreciation		(6,856,167)	(6,707,833)
Closing Written Down Value		1,846,557	1,926,240
Infrastructure - Irrigation Systems			
At Management Valuation as at 2014		14,179,603	13,454,240
Less : Accumulated Depreciation		(7,573,441)	(7,732,672)
Closing Written Down Value		6,606,162	5,721,568
Total Infrastructure			
At Management Valuation as at 2014		488,240,940	452,689,637
Less : Accumulated Depreciation		(219,628,087)	(215,275,809)
Closing Written Down Value		268,612,853	237,413,828

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

(c) Investment Property

	2013/14 Actual \$	2012/13 Actual \$
Investment Property : Land		
At Management Valuation	11,650,000	11,650,000
Add : Transfers From Land	23,330,402	-
Closing Written Down Value	34,980,402	11,650,000
Investment Property : Buildings		
At Management Valuation	45,000	45,000
Add : Addition at Cost	-	-
Less : Disposal	(10,000)	-
Less : Accumulated Depreciation	(6,282)	(6,923)
Closing Written Down Value	28,718	38,077
Total Investment Property		
At Management Valuation	11,695,000	11,695,000
Add : Addition at Cost	-	-
Add : Transfers From Land	23,330,402	-
Less : Disposal	(10,000)	-
Less : Accumulated Depreciation	(6,282)	(6,923)
Closing Written Down Value	35,009,120	11,688,077

(d) Disposal of Assets

	Net Book Value (\$)		Sale Proceeds (\$)		Profit / (Loss) (\$)	
	Actual	Budget	Actual	Budget	Actual	Budget
Computer Equipment	12,016	-		-	(12,016)	-
Electronic Equipment	5,564	-		-	(5,564)	-
Furniture & Fittings	108,384	-	19,426	-	(88,958)	-
Investment Property Building	8,226	-		-	(8,226)	-
Plant & Equipment	37,542	-		-	(37,542)	-
Land & Building	1,200,000	-	1,382,875	-	182,875	-
Mobile Plant and Vehicles	669,405	649,050	445,919	655,100	(223,486)	-
Total	2,041,137	649,050	1,848,220	655,100	(192,917)	-

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

(e) Summary of Asset Movements

	Balance as at 01/07/2013	Additions	Disposals	Revaluations/T ransfers	Depreciation	Balance as at 30/06/2014
Property, Plant & Equipment						
Land	169,849,000	-	(1,200,000)	(23,330,402)	-	145,318,598
Buildings	115,737,394	1,807,491	-	-	(4,211,929)	113,332,956
Land Vested	484,000	-	-	-	-	484,000
Plant & Equipment	8,818,161	1,944,260	(37,542)	-	(1,682,035)	9,042,844
Electronic Equipment	107,371	127,895	(5,564)	-	(44,691)	185,011
Furniture & Fittings	1,478,763	609,653	(108,384)	-	(272,065)	1,707,967
Computer Equipment	1,350,718	634,050	(12,016)	-	(626,359)	1,346,393
Property Improvement	95,726	-	-	-	(46,171)	49,555
Mobile Plant	6,706,370	1,203,904	(669,404)	-	(973,958)	6,266,912
Artworks	997,691	76,770	-	-	-	1,074,461
	305,625,194	6,404,023	(2,032,910)	(23,330,402)	(7,857,208)	278,808,697
Infrastructure						
Roads	146,490,482	7,005,287	-	(5,176,170)	(3,462,542)	144,857,057
Drains	52,208,351	934,535	-	(2,484,739)	(728,733)	49,929,414
Footpaths	28,693,449	1,027,823	-	34,545,768	(707,398)	63,559,642
Parks	2,373,738	1,569,687	-	(1,977,896)	(335,556)	1,629,973
Street Furniture	1,926,240	68,651	-	-	(148,334)	1,846,557
Irrigation System	5,721,568	747,540	-	602,979	(465,926)	6,606,161
	237,413,828	11,353,523	-	25,509,942	(5,848,489)	268,428,804
Infrastructure Work in Progress	-	184,049	-	-	-	184,049
	237,413,828	11,537,572	-	25,509,942	(5,848,489)	268,612,853
Investment Property :						
Land	11,650,000	-	-	23,330,402	-	34,980,402
Buildings	38,077	-	(8,226)	-	(1,133)	28,718
	11,688,077	-	(8,226)	23,330,402	(1,133)	35,009,120
Total	554,727,099	17,941,595	(2,041,136)	25,509,942	(13,706,830)	582,430,670

Revaluation of Assets

Infrastructure assets (roads, drains, footpaths, parks, irrigation and street furniture) were re-valued at 30 June 2014 the depreciated current replacement cost. Infrastructure assets are valued by Council's engineering department using known replacement costs for each category of infrastructure asset and physical inspection to establish age, remaining useful life and condition.

For 2013/14, these figure were independently reviewed and confirmed by external valuers for fair valuation purposes and has resulted in a net transfer to the asset revaluation reserve of \$25,509,942. Refer to Note 31 for further narration/information regarding fair value of infrastructure assets.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

11. BORROWINGS

	2013/14 Actual \$	2012/13 Actual \$
Current		
Borrowings - Current Portion	268,319	273,452
Non-Current Loans		
Borrowings - Non-Current Portion	3,070,194	3,435,740
Total	3,338,513	3,709,192

(a) Details of Loan Liability

Program / Sporting Body	Loan No	Principal 1 July 2013	(Loans Discharged) New Loans	Interest \$		Principal Repayment		Principal \$
				Budget	Actual	Budget	Actual	30 June 2014
Recreation and Culture								
Applecross Tennis Club	372	46,964		2,874	2,838	12,687	12,687	34,277
Kardinya Bowling Club	379	193,108		13,699	13,036	24,185	24,185	168,923
Melville Glades Golf Club	382	660,599		45,987	44,228	54,420	54,420	606,179
Melville Bowling Club	394	23,188		1,257	1,065	15,213	15,212	7,976
Leeming Sport Association	398	162,184		9,958	9,709	12,117	12,117	150,067
Tompkins Park Community and Recreational Association	399	373,061		33,326	21,933	20,045	20,045	353,016
Melville Hockey Club	400	149,476		8,780	8,577	17,804	17,804	131,672
Leeming Bowling & Recreation Club	403	103,675	100,500	6,341	9,348	6,448	3,176	-
Bull Creek Tennis Club	406	66,232		3,738	3,712	3,758	3,758	62,474
Kardinya Bowling Club	408	67,125		4,090	4,038	9,552	9,552	57,573
Melville Glades Golf Club (17.5 years @ 6.00%)	411	1,425,126		84,989	84,130	57,857	57,857	1,367,269
Fremantle CBC Amateur Football Club	412	26,327		1,211	1,193	2,593	2,593	23,734
Mt Pleasant Bowling Club	413	287,530		10,895	10,589	25,656	25,656	261,874
Blue Gum Tennis Club	414	124,596		4,718	4,589	11,118	11,117	113,479
Total		3,709,192	100,500	231,863	218,985	273,453	270,179	3,338,513

* All the above loans are self supporting loan to sporting clubs.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

12. RESERVES

	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Cash & Investment Backed Reserves			
Applecross Underground Power and Streetscape Enhancement Reserve			
To be used for underground power projects and streetscape enhancements in the suburb of Applecross.			
Opening Balance 1 July 2013	-	85,371	80,848
Amount set aside during the year	-	-	-
Amount set aside during the year - Investment Earnings	-	3,154	-
Amount used during the year	-	-	(80,848)
Closing Balance 30 June 2014	-	88,525	-
Attadale South Underground Power and Streetscape Enhancement Reserve			
To be used for underground power projects and streetscape enhancements in the Attadale South Underground Power project area.			
Opening Balance 1 July 2013	-	-	-
Amount set aside during the year	123,630	-	-
Amount set aside during the year - Investment Earnings	2,953	-	-
Amount used during the year	-	-	-
Closing Balance 30 June 2014	126,583	-	-
Ardross West Underground Power and Streetscape Enhancement Reserve			
To be used for underground power projects and streetscape enhancements in the Ardross West Underground Power project area.			
Opening Balance 1 July 2013	-	-	-
Amount set aside during the year	118,540	-	-
Amount set aside during the year - Investment Earnings	2,832	-	-
Amount used during the year	-	-	-
Closing Balance 30 June 2014	121,372	-	-
Civic Centre Precinct Improvements Reserve			
To be used for improvements to the buildings and associated landscaping and car parking located within the Civic Centre Precinct.			
Opening Balance 1 July 2013	98,566	98,732	93,502
Amount set aside during the year	-	-	-
Amount set aside during the year - Investment Earnings	4,709	3,648	5,064
Amount used during the year	-	-	-
Closing Balance 30 June 2014	103,275	102,380	98,566
Commercial Disposal (Refuse) Reserve			
To be used for the acquisition and replacement of commercial refuse bins, vehicles, plant and equipment used for commercial waste operations and the development of commercial waste collection opportunities.			
Opening Balance 1 July 2013	951,886	712,922	796,652
Amount set aside during the year	211,942	-	109,136
Amount set aside during the year - Investment Earnings	50,544	26,342	46,098
Amount used during the year	-	(14,610)	-
Closing Balance 30 June 2014	1,214,372	724,654	951,886

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

12. RESERVES

	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Cash & Investment Backed Reserves			
Community Facilities Reserve			
To be used for the provision of new, renewed or upgraded community facilities owned by the City of Melville.			
Opening Balance 1 July 2013	8,931,981	4,715,290	9,258,599
Amount set aside during the year	2,489,000	2,489,000	2,395,000
Amount set aside during the year - Investment Earnings	472,518	174,225	479,569
Amount used during the year	(573,758)	(1,369,100)	(3,201,187)
Closing Balance 30 June 2014	11,319,741	6,009,415	8,931,981
Community Surveillance and Security Service Reserve			
To temporarily retain any surpluses that may arise from the Property Surveillance and Security Service Charge to be used to offset future years Property Surveillance and Security Service Charges or for the purchase of plant and equipment used for community surveillance and security services.			
Opening Balance 1 July 2013	642,424	547,737	534,946
Amount set aside during the year	-	-	76,438
Amount set aside during the year - Investment Earnings	29,279	20,238	31,040
Amount used during the year	(59,265)	(49,074)	-
Closing Balance 30 June 2014	612,438	518,901	642,424
Information Technology Reserve			
To be used to fund the acquisition and replacement of computer software and information technology hardware.			
Opening Balance 1 July 2013	1,560,769	358,252	1,806,933
Amount set aside during the year	650,000	650,000	650,000
Amount set aside during the year - Investment Earnings	76,303	13,237	88,785
Amount used during the year	(577,582)	(578,851)	(984,949)
Closing Balance 30 June 2014	1,709,490	442,638	1,560,769
Land and Property Reserve			
To be used to fund revenue earning land and property purchases within the City of Melville.			
Opening Balance 1 July 2013	26,886,302	23,097,898	23,257,316
Amount set aside during the year	2,408,880	1,500,000	2,872,430
Amount set aside during the year - Investment Earnings	1,342,157	853,444	1,321,966
Amount used during the year	-	-	(565,410)
Closing Balance 30 June 2014	30,637,339	25,451,342	26,886,302
Leave Entitlements Reserve			
To be used to fund annual, sick and long service leave entitlements accrued in previous financial years.			
Opening Balance 1 July 2013	1,835,409	1,838,515	1,741,119
Amount set aside during the year	-	-	-
Amount set aside during the year - Investment Earnings	87,695	67,931	94,290
Amount used during the year	-	-	-
Closing Balance 30 June 2014	1,923,104	1,906,446	1,835,409

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

12. RESERVES

	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Cash & Investment Backed Reserves			
Parking Facilities Reserve			
To be used to fund the provision, refurbishment or improvement of parking facilities and equipment.			
Opening Balance 1 July 2013	265,381	214,345	90,998
Amount set aside during the year	175,000	175,000	175,000
Amount set aside during the year - Investment Earnings	11,354	7,920	9,395
Amount used during the year	(230,510)	(350,000)	(10,012)
Closing Balance 30 June 2014	221,225	47,265	265,381
Plant Replacement Reserve			
To be used to fund the purchase of replacement motor vehicles and plant, including waste collection trucks.			
Opening Balance 1 July 2013	6,644,599	4,633,317	6,238,190
Amount set aside during the year	2,000,000	2,000,000	2,000,000
Amount set aside during the year - Investment Earnings	332,202	171,196	339,637
Amount used during the year	(1,383,501)	(1,937,490)	(1,933,228)
Closing Balance 30 June 2014	7,593,300	4,867,023	6,644,599
Private Swimming Pool Inspection Fee Reserve			
To temporarily retain any surpluses that may arise from the Swimming Pool Inspection fees to be used to offset any deficits in future year Swimming Pool Inspection Fees.			
Opening Balance 1 July 2013	-	-	-
Amount set aside during the year	51,672	2,241	-
Amount set aside during the year - Investment Earnings	1,234	-	-
Amount used during the year	-	-	-
Closing Balance 30 June 2014	52,906	2,241	-
Public Open Space Reserve			
To be used to fund the purchase, development and re-development of public open space, parks and reserves or for debt servicing costs associated with any loan borrowings taken out for such purposes.			
Opening Balance 1 July 2013	1,335,523	1,228,124	799,761
Amount set aside during the year	560,648	551,600	2,730,384
Amount set aside during the year - Investment Earnings	77,204	45,378	56,294
Amount used during the year	-	(580,000)	(2,250,916)
Closing Balance 30 June 2014	1,973,375	1,245,102	1,335,523
Recreation Centres Equipment Replacement Reserve			
To be used to fund the replacement of Recreation Centres equipment to meet the requirements of the Recreation Equipment Asset Management Plan.			
Opening Balance 1 July 2013	236,084	177,245	-
Amount set aside during the year	370,000	370,000	350,000
Amount set aside during the year - Investment Earnings	10,624	6,549	6,224
Amount used during the year	(397,454)	(551,544)	(120,140)
Closing Balance 30 June 2014	219,254	2,250	236,084

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

12. RESERVES

	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Cash & Investment Backed Reserves			
Refuse Bins Reserve			
To be used for the purchase and replacement of domestic refuse bins.			
Opening Balance 1 July 2013	1,022,258	694,995	987,145
Amount set aside during the year	200,000	200,000	200,000
Amount set aside during the year - Investment Earnings	50,594	25,679	52,975
Amount used during the year	(126,699)	(130,000)	(217,862)
Closing Balance 30 June 2014	1,146,153	790,674	1,022,258
Refuse Facilities Reserve			
To be used for payments relating to the establishment and operation of waste management facilities, funding associated costs and the cost of landscaping, environmental and rehabilitation works of former tip sites operated by the City of Melville and for the waste collection and disposal costs of waste associated with storm or disaster events.			
Opening Balance 1 July 2013	4,740,109	2,325,805	4,778,679
Amount set aside during the year		5,369	63,125
Amount set aside during the year - Investment Earnings	219,695	85,936	250,950
Amount used during the year	(283,962)	(400,000)	(352,645)
Closing Balance 30 June 2014	4,675,842	2,017,110	4,740,109
Risk Management Reserve			
To be used to fund prior years insurance premium contingencies, the self-insured element of insurance claims, risk reduction initiatives or projects and any losses arising from investment activities.			
Opening Balance 1 July 2013	4,433,759	4,300,955	3,978,408
Amount set aside during the year	360,245	75,000	233,576
Amount set aside during the year - Investment Earnings	217,367	158,916	221,775
Amount used during the year	(128,977)	-	-
Closing Balance 30 June 2014	4,882,394	4,534,871	4,433,759
Infrastructure Asset Management Reserve			
To be used to fund infrastructure asset management projects including the construction, maintenance and renewal of the City of Melville's road, path, kerbing, street furniture, park structures, playground, irrigation/reticulation and drainage infrastructure assets.			
Opening Balance 1 July 2013	6,720,555	5,986,768	3,658,738
Amount set aside during the year	9,659,427	9,356,028	8,181,729
Amount set aside during the year - Investment Earnings	352,941	221,205	273,636
Amount used during the year	(8,326,744)	(9,090,555)	(5,393,548)
Closing Balance 30 June 2014	8,406,179	6,473,446	6,720,555

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

12. RESERVES

	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Cash & Investment Backed Reserves			
Unexpended Capital Works and Specific Purpose Grants Reserve			
To be used to carry forward available funding for uncompleted projects and specific purpose grants, that will be completed and expended in ensuing financial years.			
Opening Balance 1 July 2013	7,642,838	7,765,536	6,347,792
Amount set aside during the year	6,138,958	-	7,642,838
Amount used during the year	(7,642,838)	(7,765,536)	(6,347,792)
Closing Balance 30 June 2014	6,138,958	-	7,642,838
Summary Reserves			
Opening Balance 1 July 2013	73,948,443	58,781,807	64,449,626
Amount set aside during the year	25,517,940	17,374,238	27,679,656
Amount set aside during the year - Investment Earnings	3,342,205	1,884,998	3,277,696
Amount used during the year	(19,731,290)	(22,816,760)	(21,458,537)
Closing Balance 30 June 2014	83,077,298	55,224,283	73,948,441
LESS : Investments (Impaired) / Written back			
2007/08	(10,295,749)	-	(10,295,749)
2008/09	(10,830,428)	-	(10,830,428)
2009/10	1,448,851	-	1,448,851
2010/11	1,588,369	-	1,588,369
2011/12	6,983,625	-	6,983,625
2012/13	8,187,570	-	8,187,570
2013/14	1,867,763	-	-
Net Reserves	82,027,298	55,224,283	71,030,679

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

12(a). Asset Revaluation Surplus

Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:		2013/14	2012/13
		\$	\$
Land and Buildings			
Land - Opening Balance		138,601,340	89,479,714
Revaluation Increment		-	49,121,626
Revaluation (Decrement)		-	-
Closing Balance		138,601,340	138,601,340
Buildings - Opening Balance		65,174,901	65,174,901
Revaluation Increment		-	-
Revaluation (Decrement)		-	-
Closing Balance		65,174,901	65,174,901
Building (Investment Property) - Opening Balance		243,793	243,793
Revaluation Increment		-	-
Revaluation (Decrement)		-	-
Closing Balance		243,793	243,793
Land (Investment Property) - Opening Balance		11,900,000	10,250,000
Revaluation Increment		-	1,650,000
Revaluation (Decrement)		-	-
Closing Balance		11,900,000	11,900,000
Plant and Equipment			
Artworks - Opening Balance		146,087	146,087
Revaluation Increment		-	-
Revaluation (Decrement)		-	-
Closing Balance		146,087	146,087
Computer Equipment - Opening Balance		289,706	31,173
Revaluation Increment		-	258,533
Revaluation (Decrement)		-	-
Closing Balance		289,706	289,706
Electronic Equipment - Opening Balance		30,211	-
Revaluation Increment		-	30,211
Revaluation (Decrement)		-	-
Closing Balance		30,211	30,211
Furniture & Fittings - Opening Balance		287,257	367
Revaluation Increment (prior period adjustment)		77,912	286,890
Revaluation (Decrement)		-	-
Closing Balance		365,169	287,257
Plant & Equipment - Opening Balance		11,111,930	8,516,651
Revaluation Increment		-	2,595,279
Revaluation (Decrement)		-	-
Closing Balance		11,111,930	11,111,930

CITY OF MELVILLE
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FOR THE YEAR ENDED 30TH JUNE 2014

12(a). Asset Revaluation Surplus

Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:		2013/14	2012/13
		\$	\$
Mobile Plant - Opening Balance		748,134	-
Revaluation Increment (prior period adjustment)		126,996	748,134
Revaluation (Decrement)		-	-
Closing Balance		875,130	748,134
Infrastructure Assets			
Drains - Opening Balance		34,983,171	31,077,189
Revaluation Increment		-	3,905,982
Revaluation (Decrement)		(2,484,739)	-
Closing Balance		32,498,432	34,983,171
Footpaths - Opening Balance		16,669,110	15,978,516
Revaluation Increment		34,545,768	690,594
Revaluation (Decrement)		-	-
Closing Balance		51,214,878	16,669,110
Irrigation - Opening Balance		1,473,738	1,473,738
Revaluation Increment		602,979	-
Revaluation (Decrement)		-	-
Closing Balance		2,076,717	1,473,738
Parks - Opening Balance		604,938	2,800,993
Revaluation Increment		-	-
Revaluation (Decrement)		(1,977,896)	(2,196,055)
Closing Balance		(1,372,958)	604,938
Roads - Opening Balance		25,954,025	32,889,654
Revaluation Increment		-	-
Revaluation (Decrement)		(5,176,170)	(6,935,629)
Closing Balance		20,777,855	25,954,025
Street Furniture - Opening Balance		1,838,645	1,838,645
Revaluation Increment		-	-
Revaluation (Decrement)		-	-
Closing Balance		1,838,645	1,838,645
Reserves - Asset Revaluation		335,771,837	310,056,986

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

13. TRUST ITEMS

(a) TRUST FUNDS

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

	2013/14 Actual \$	2012/13 Actual \$
Deposits Held		
Balance at beginning of reporting period	4,071,392	3,877,882
Amounts Received during reporting period	1,662,590	1,645,567
Amounts Paid during reporting period	(1,314,008)	(1,452,057)
Balance at end of reporting period	4,419,974	4,071,392
Retention Monies		
Balance at beginning of reporting period	-	-
Amounts Received during reporting period	-	-
Amounts Paid during reporting period	-	-
Balance at end of reporting period	-	-
Prepaid Private Works		
Balance at beginning of reporting period	291,531	352,964
Amounts Received during reporting period	-	-
Amounts Paid during reporting period		(61,433)
Balance at end of reporting period	291,531	291,531
Miscellaneous Trusts (Election Nomination, Rates and Charges, etc.)		
Balance at beginning of reporting period	26,217	26,217
Amounts Received during reporting period	13,000	
Amounts Paid during reporting period	-	
Balance at end of reporting period	39,217	26,217
BCITF and Builders Registration Levy		
Balance at beginning of reporting period	186,611	185,838
Amounts Received during reporting period	1,091,843	1,135,626
Amounts Paid during reporting period	(1,117,363)	(1,134,853)
Balance at end of reporting period	161,091	186,612
Total Trust Items	4,911,813	4,575,752

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

14. STATEMENT OF RATING INFORMATION

STATEMENT OF RATING INFORMATION

	ACTUAL 2013/2014								
	GENERAL RATE				MINIMUM RATE				
	No. of Prop.	Rateable value \$	Rate in \$ Cents	Rate Yield \$	No.	Minimums Rateable Value \$	Min. \$	Yield \$	TOTAL \$
General Rate GRV									
Residential - Improved	33,211	687,241,516	5.401866	37,123,866	5,891	66,821,304	697.50	4,108,973	41,232,839
Residential - Unimproved	837	20,314,608	6.807744	1,382,967	188	1,526,211	697.50	131,130	1,514,097
	34,048	707,556,124		38,506,833	6,079	68,347,515		4,240,103	42,746,936
Commercial - Improved	1,356	202,654,656	6.322794	12,791,144	257	1,477,959	817.30	210,046	13,001,190
Commercial - Unimproved	14	1,407,289	6.322794	88,825	3	26,600	817.30	2,452	91,277
Strata Units	2	14,040	6.322794	886	55	129,038	408.65	22,476	23,362
	1,372	204,075,985		12,880,855	315	1,633,597		234,974	13,115,829
									55,862,765
Interim Rates									202,235
Sub Total General Rate									56,065,000
Specified Area Rate (Underground Power)									-
GRAND TOTAL	35,420	911,632,109		51,387,688	6,394	69,981,112		4,475,077	56,065,000

Property Type	Actual 2013/2014						Property Type
	Rate Assessments		Rateable Value		Rate Yield		
	#	%	\$	%	\$	%	
Residential	40,127	95.97%	775,903,639	79.04%	42,746,936	76.52%	Residential
Commercial	1,687	4.03%	205,709,582	20.96%	13,115,829	23.48%	Commercial
	41,814	100.00%	\$981,613,221	100.00%	\$55,862,765	100.00%	

BUDGET 2013/2014									
GENERAL RATE					MINIMUM RATE				
	No. of Prop.	Rateable value \$	Rate in \$ Cents	Rate Yield \$	No.	Minimums Rateable Value \$	Min. \$	Yield \$	TOTAL \$
General Rate GRV									
Residential - Improved	33,216	687,655,125	5.401866	37,145,358	5,894	66,855,104	697.50	4,111,065	41,256,422
Residential - Unimproved	835	20,299,528	6.807744	1,381,918	188	1,526,211	697.50	131,130	1,513,048
	34,051	707,954,653		38,527,276	6,082	68,381,315		4,242,195	42,769,470
Commercial - Improved	1,356	202,654,656	6.322794	12,813,403	202	1,477,959	817.30	165,095	12,978,498
Commercial - Unimproved	14	1,407,289	6.322794	88,980	3	26,600	817.30	2,452	91,432
Strata Units	2	14,040	6.322794	888	55	129,038	408.65	22,476	23,364
	1,372	204,075,985		12,903,271	260	1,633,597		190,023	13,093,294
									55,862,764
Interim Rates									250,260
Sub Total General Rate									56,113,024
Specified Area Rate (Underground Power)									-
GRAND TOTAL	35,423	912,030,638		51,430,547	6,342	70,014,912		4,432,218	56,113,024
Budget 2013/2014									
Property Type	Rate Assessments		Rateable Value		Rate Yield				
	#	%	\$	%	\$	%			
Residential	40,133	96.09%	776,335,968	79.05%	42,769,470	76.56%			
Commercial	1,632	3.91%	205,709,582	20.95%	13,093,294	23.44%			
	41,765	100.00%	\$982,045,550	100.00%	\$55,862,764	100.00%			

DIFFERENTIAL RATING

A differential rate loading of 26 per cent above the residential improved land rate was applied to residential unimproved (vacant) land. A differential rate loading of 17 per cent above the residential improved land rate was applied to commercial and industrial land. If the differential rates were not imposed, the rate in the dollar would be approximately 5.639125 cents with a minimum rate of \$698.87. This rate is referred to as the standard rate.

The Valuation of Land Act 1978 stipulates that for unimproved land the method by which the Gross Rental Value is calculated is to be 3% of the unimproved value of the land. When applied to residential land this results in the revenue generated from unimproved residential land being substantially less than if the same vacant land was improved to its highest and best use under the applicable Town Planning Scheme provisions. The resulting difference in rate revenue is not considered to result in a fair and equitable distribution of the revenue burden as between the two different classes of residential land. The purpose of imposing a differential rate is to obtain a fair income from unimproved land within the Municipal district.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

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

(a) Discounts

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

(b) Early Payment Incentive

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

Prizes offered as early payment incentives

	\$
Major Prize - Westpac Banking Corporation Bonus Saver Account	3,000
Minor Prize - City of Melville Gym Memberships	850
Minor Prize - Matters of Taste Cooking Classes	625
Minor Prize - Stockland Bull Creek Shopping Centre Voucher	500
Minor Prize - Le Beau Day Spa Voucher	500
Total	5,475

(c) Concessions

A concession was granted to strata titled storage units of 18m2 or smaller, whereby the minimum rate charged was \$408.65. The value of this concession was \$22,476. A 100% concession from General Rates was granted to the Melville Glades Golf Club. The value of this concession was \$16,754.

16. INFORMATION ABOUT INTEREST PAYMENTS AND ADDITIONAL CHARGES

	Interest Rate %	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Interest on Unpaid rates	11	323,344	318,601	305,367
Interest on Instalment Plan	5.5	229,877	228,068	231,440
Charges on Instalment Plan	4	153,335	152,736	184,899

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

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

The following three payment options were provided to the ratepayers:

Option 1 - Full amount of the rate notice payable by 9 August 2013 to qualify for the early payment incentive prizes.

Option 2 - Full amount of the rate notice payable by 23 August 2013.

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

1st Instalment	Due	23/08/2013
2nd Instalment	Due	23/10/2013
3rd Instalment	Due	6/01/2014
4th Instalment	Due	6/03/2014

17. FEES & CHARGES

Program	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Governance	1,460,067	1,293,209	1,263,061
General Purpose Funding	1,947,514	-	-
Law, Order and Public Safety	300,946	128,650	109,901
Health	244,818	259,790	240,940
Education and Welfare	25,681	10,296	14,693
Housing	51,032	48,088	57,602
Community Amenities	15,432,456	17,418,526	16,253,994
Recreation and Culture	9,556,715	9,106,664	8,880,883
Transport	2,122,864	2,126,089	2,177,439
Other Property and Services	62,033	45,000	52,409
Total	31,204,126	30,436,312	29,050,922

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18. SERVICE CHARGES

	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Community Security	2,128,720	2,122,598	2,111,831
Swimming Pool Inspections	283,632	287,034	262,041
Underground Power	1,592,996	1,600,000	5,939,157
	4,005,348	4,009,632	8,313,029

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

	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Community Security			
Revenue			
Call Out/Alarm Response Fees	2,373	-	1,854
City of Melville Security Patrol Fees (\$51.20 per property)	2,126,347	2,122,598	2,070,744
Other Security Fees	-	-	39,233
	2,128,720	2,122,598	2,111,831
Expenses			
Employee Costs	(1,569,024)	(1,578,976)	(1,526,703)
Internal Allocations	(510,988)	(506,952)	(427,439)
Internal Recovery	(49,029)	(37,569)	(44,871)
Materials & Contracts	(52,400)	(44,975)	(21,597)
Other Expenditure	(5,081)	(3,200)	(14,782)
	(2,186,521)	(2,171,672)	(2,035,392)
Amount (set aside) / used	-	-	(76,438)
Net Community Security - Surplus / (Deficit) *	(57,802)	(49,074)	-

* Surplus funds are transferred to the Community Security Reserve to be used to offset future expenditure.

This may include the costs incurred to replace security vehicles.

	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Swimming Pool Inspections			
Revenue			
Building Application Fees	-	-	43
Swimming Pool Inspection Fees	283,632	287,034	261,998
	283,632	287,034	262,041
Expenses			
Employee Costs	(74,260)	(75,093)	(73,707)
Internal Allocations	(28)	(156,200)	(152,449)
Materials & Contracts	(157,672)	(53,500)	(69,723)
	(231,960)	(284,793)	(295,879)
Net Result	51,672	2,241	(33,838)
Amount (set aside) / used	-	-	-
Net Swimming Pool - Surplus / (Deficit) #	51,672	2,241	(33,838)

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

CITY OF MELVILLE
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19. GRANT REVENUE

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

By Nature or Type:	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Operating Grants, Subsidies and Contributions	2,111,356	2,939,470	3,674,091
Non-Operating Grants, Subsidies and Contributions	2,097,627	2,930,439	3,262,202
	4,208,983	5,869,909	6,936,293

By Program:	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Governance	177,028	7,000	294,855
General Purpose Funding	1,503,478	2,450,000	3,149,100
Law, Order, Public Safety	56,372	36,210	40,005
Education & Welfare	217,711	204,789	133,975
Community Amenities	10,455	-	28,396
Recreation and Culture	269,971	209,702	149,587
Transport	1,973,438	2,961,208	3,140,375
Other Property and Services	531	-	-
	4,208,983	5,868,909	6,936,293

20. INVESTMENT REVENUE

Fund	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Interest Income - Reserve Funds	3,342,205	2,300,000	3,277,697
Interest Income - Other Funds	1,251,762	1,521,000	1,833,090
Total Investment Revenue	4,593,966	3,821,000	5,110,787

21. INFORMATION ABOUT FEES, ETC. TO COUNCIL MEMBERS

Description	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Sitting Fees - Mayor	19,298	14,000	14,000
Sitting Fees - Councillors	362,500	336,000	84,000
Conference and Training - Elected Members	33,823	61,750	18,353
Allowances - Mayor	108,802	74,500	60,000
Allowances - Deputy Mayor	14,333	15,000	15,000
Allowances - Councillors	65,414	118,590	79,149
Total	604,170	619,840	270,502

The above allowances consist of reimbursement of reasonable costs of travel, child minding, parking and tolls, telephone and/or facsimile rental, telephone calls home and mobile calls.

CITY OF MELVILLE
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22. CONTINGENT LIABILITIES

The City negotiates its Workers' Compensation Premium on a "burning cost" basis whereby a minimum and maximum premium are determined for workers' compensation and the City pays a deposit premium only with the actual premium being settled based on known and anticipated claims experience. Therefore, the City may be required to fund an additional premium if the actual premium (as yet to be determined) exceeds the deposit premium already paid. Accordingly, a contingent liability is recognised for the difference between the deposit premium paid and the maximum premium payable.

	2013/14 Actual	2012/13 Actual
Contingent liability for additional Workers' Compensation Premium	\$ 4,720,825	\$ 3,963,407
Note sufficient funds for the payment of this contingent liability are held in the Risk Management Reserve.		

23. EMPLOYEE NUMBERS

	2013/14 No. of Employees	2012/13 No. of Employees
The number of full-time equivalent employees at balance sheet date	481	465

24. INVESTMENT IN REGIONAL COUNCIL USING THE EQUITY METHOD

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

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

Participating Local Governments are required to contribute an annual fee to cover the capital cost in the establishment of the facility and pay gate fees for each tonne of waste they deliver to the facility to cover the operating costs. The capital costs for each participating Local Government member is based on the Australian Bureau of Statistics population statistics. Each project participant will develop equity in the project equal to the relevant proportion of the total capital loan repayments made by that project participant. The City of Melville's interest in the RRRC is 42.92 per cent.

The City of Melville has guaranteed, by way of agreement, its share of the Loan Liability to the SMRC and the Western Australian Treasury Corporation (funding body). The City of Melville's share of the outstanding loan liabilities of RRRC at 30 June 2014 is \$13,537,949 (unaudited).

	2013/14 Actual \$ (audited)	2012/13 Actual \$ (unaudited)
The City's share in the net assets of the SMRC (excluding equity)	7,369,211	6,725,272
Equity Ratio	42.92%	38.18%
Represented by Share of Joint Venture entity's Financial Position:		
Current Assets	8,535,038	6,447,323
Non Current Assets	30,939,880	30,378,737
Total Assets	39,474,917	36,826,061
Current Liabilities	5,511,254	4,859,582
Non Current Liabilities	9,907,865	10,337,054
Total Liabilities	15,419,118	15,196,636
LESS: City of Melville's share of SMRC Loan Liability	13,537,949	14,904,152
LESS: City of Melville's share of City of CanningSMRC Loan Liability	2,829,457	-
Net Assets	7,688,394	6,725,272
Net Increase / (Decrease) in Equity - SMRC Joint Venture	963,122	(1,254,527)

CITY OF MELVILLE
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25. MAJOR LAND TRANSACTIONS

	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
Purchase of Lot 87, 58-60 Murray Road, Bicton			
Operating Expenditure			
Purchasing Costs	-	-	2,205,115
Capital Expenditure			
Repayment	-	-	-
Net Purchase Costs	-	-	2,205,115
Sale of 62 Murray Road, Bicton			
Operating Expenditure			
Selling Costs	-	-	-
Capital Income			
Sale Proceeds	-	-	779,065
Capital Expenditure			
Net Book Value	-	-	(635,227)
Profit / (Loss) on Sale	-	-	143,837
Sale of 35 St Michael Terrace, Mt Pleasant			
Operating Expenditure			
Selling Costs	-	-	-
Capital Income			
Sale Proceeds	1,382,875	-	-
Capital Expenditure			
Net Book Value	(1,200,000)	-	-
Profit / (Loss) on Sale	182,875	-	-
Expected future Cash Flows			
Cash Inflows			
Sale Proceeds	-	-	1,850,000
Interest Proceeds	63,708	-	-
Net Cash Flows	63,708.00	-	1,850,000
Cash Outflows			
Repayment	500,000	500,000	300,000
Net Cash Flows	500,000	500,000	300,000

The net cash flows of all land transactions resulted in a net inflow of \$182,875.

CITY OF MELVILLE
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26. SPECIFIED AREA RATE & SERVICE CHARGE

Specified Area Rate Attadale South Underground Power Project	2013/14 Actual \$	2013/14 Budget \$	2012/13 Actual \$
OPERATING INCOME			
Specified Area Rate - Attadale North Underground Power	-	-	2,728,000
Specified Area Rate - Ardross West Underground Power	-	-	3,134,907
Specified Area Rate - Coolbellup East Underground Power	-	-	76,250
Total Operating Income	-	-	5,939,157
OPERATING EXPENDITURE			
Western Power - Attadale North Underground Power Cash Calls	1,600,000	1,600,000	(2,730,569)
Western Power - Ardross West Underground Power Cash Calls	-	-	(3,208,700)
Western Power - Coolbellup East Underground Power Cash Calls	-	-	(79,300)
Total Operating Expenditure	1,600,000	1,600,000	(6,018,569)
Net Specified Area Rate - Surplus / (Deficit) to Carry Forward	1,600,000	1,600,000	(79,412)

Refuse Charges	2013/14		
Refuse Information	No.	Amount per Service	Yield \$
Residential - Standard	33,810	403.50	13,642,335
Residential - Pensioner	5,549	363.50	2,017,062
Commercial - Standard	1,882	525.00	988,050
Commercial - Recycling - Weekly	199	420.00	83,580
Commercial - 1100L Bin	105	30.75	3,229
Non Rateable - Standard	503	525.00	264,075
Non Rateable Recycling - Weekly	61	420.00	25,620
Non Rateable Recycling - 660L	36	20.00	720
	42,145		17,024,670

27. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2013/14 Actual \$	2012/13 Actual \$
Governance	411,024,665	395,060,628
Education & Welfare	138,688	175,831
Community Amenities	640,026	750,101
Recreation and Culture	49,401,657	50,533,730
Transport	4,544,800	4,667,511
Economic Services	213,691	213,691
Other Property and Services	228,996,161	205,107,371
	694,959,688	656,508,864

CITY OF MELVILLE
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28. Reconciliation of Cash

For the purpose of preparing the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	2013/14 Actual \$	2012/13 Actual \$
Cash and Cash Equivalents	91,866,339	80,459,359
Net Cash at End of Year	91,866,339	80,459,359

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

Net Result	14,444,383	6,369,421
Add / (Less) Non-Cash / Non-Operating Items		
Depreciation	13,706,830	21,467,696
(Profit) / Loss on Sale of Assets	192,917	3,133,867
Grants & Contributions for the Development of Assets	(2,097,627)	(3,262,202)
Investments Unrealised (Gains) / Losses	(1,738,786)	(6,022,160)
(Increase) / Decrease in Equity - SMRC Joint Venture	(963,122)	1,254,527
Impairment Loss on Revaluation of Property, Plant & Equipment	204,908	-
Non-Current Assets recognised due to changes in	-	(484,000)
Changes in Assets & Liabilities During the Financial Year:		
(Increase)/Decrease in Accrued Income	(551,095)	(1,288,846)
(Increase)/Decrease in Accrued Expenses	225,515	78,498
(Increase)/Decrease in Accrued Income Payable	122,539	350,919
(Increase)/Decrease in Current Receivables	1,208,348	119,947
(Increase)/Decrease in Non-Current Receivables	1,073,691	(380,900)
(Increase)/Decrease in Work in Progress	148,091	(148,090)
Increase/(Decrease) in Current Creditors	(1,713,049)	(295,581)
Increase/(Decrease) in Non-Current Creditors	(845,642)	(517,512)
(Increase)/Decrease in Inventory	17,964	11,028
Increase/(Decrease) in Provision for Employee Entitlements	502,227	815,421
(Increase)/Decrease in Prepayments	(356,389)	311,631
Net Cash Provided by Operating Activities	23,581,704	21,513,662

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

29. FINANCIAL RATIOS

FINANCIAL RATIOS (Higher Better)

	2013/14	2012/13	2011/12
Current Ratio	1.224	1.150	1.520
Asset Sustainability Ratio	1.195	0.816	1.138
Debt Service Cover Ratio	44.224	38.367	44.236
Operating Surplus Ratio	0.123	0.029	0.167
Own Source Revenue Coverage Ratio	1.080	0.997	1.096

The above ratios are calculated as follows:

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

ADDITIONAL RATIO INFORMATION (Higher Better)

The following information relates to these ratios which only require attestation they have been checked and are supported by verifiable information.

	2013/14	2012/13	2011/12
Asset Consumption Ratio	0.619	0.613	N/A
Asset Renewal Funding Ratio	0.998	1.000	N/A

The above ratios are calculated as follows:

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

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

CITY OF MELVILLE
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30. FINANCIAL RISK MANAGEMENT

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

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

Financial risk management is carried out by the Finance Service Area under policies approved by the Council.

The City held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2014	2013	2014	2013
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	91,866,339	80,459,359	91,866,339	80,459,359
Receivables	12,616,292	13,990,848	12,616,292	13,990,848
Available-for-sale financial assets	1	82,238	1	82,238
	104,482,632	94,532,446	104,482,632	94,532,446
Financial Liabilities				
Payables	10,626,887	12,466,844	10,626,887	12,466,845
Borrowings	3,338,513	3,709,192	2,562,517	2,960,839
	13,965,400	16,176,036	13,189,404	15,427,684

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings, Held-to-Maturity Investments – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Investments - Available for Sale Financial Assets – based on independent valuation.
 (Note - The substantial reduction in the values shown is as a result of Council writing off its last remaining CDO to \$1, during the 2013/14 financial year)

CITY OF MELVILLE
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30. FINANCIAL RISK MANAGEMENT (continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit or loss

Available-for-sale financial assets

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

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

Cash and investments are also subject to interest rate risk – the risk that movements in interest rates could affect returns. The weighted average interest rate for 2013/14 was 3.8879% (4.418% for 2012/13).

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

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

	30-Jun-14	30-Jun-13
	\$	\$
Impact of a 10% (*) movement in price of investments:		
- Equity	-	8,224
- Income Statement	-	8,224
Impact of a 1% (+) movement in interest rates on cash and investments:		
- Equity	918,663	805,416
- Income Statement	918,663	805,416

Council has decided to write off its last remaining CDO as a result of recent turmoil in the world financial markets

Notes:

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

(+) Maximum Impact.

CITY OF MELVILLE
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30. FINANCIAL RISK MANAGEMENT (continued)

(b) Receivables

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

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

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

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

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

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

	30-Jun-14	30-Jun-13
Percentage of Rates Outstanding to Rates Revenue excluding Pensioner Deferred Rates	5%	5%
Percentage of Rates Outstanding to Rates Revenue including Pensioner Deferred Rates	7%	8%
Percentage of Other Receivables		
- Current	95%	97%
- Overdue	5%	3%

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30. FINANCIAL RISK MANAGEMENT (continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2014</u>					
Payables	10,626,887	-	-	10,626,887	10,626,887
Borrowings	466,007	2,200,661	1,999,737	4,666,405	3,338,513
	<u>11,092,894</u>	<u>2,200,661</u>	<u>1,999,737</u>	<u>15,293,292</u>	<u>13,965,400</u>
<u>2013</u>					
Payables	12,466,844	-	-	12,466,844	12,466,844
Borrowings	504,750	1,848,069	2,952,359	5,305,179	3,709,192
	<u>12,971,594</u>	<u>1,848,069</u>	<u>2,952,359</u>	<u>17,772,023</u>	<u>16,176,036</u>

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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30. FINANCIAL RISK MANAGEMENT (continued)

(c) Payables (continued)

Borrowings (continued)

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
<u>Year Ended 30 June 2014</u>								
Borrowings								
Fixed Rate								
Debentures	268,319	276,333	284,273	286,312	312,629	1,910,647	3,338,513	5.68%
Weighted Average Effective Interest Rate	5.92%	5.91%	5.89%	5.51%	5.83%	5.57%		
<u>Year Ended 30 June 2013</u>								
Borrowings								
Fixed Rate								
Debentures	273,452	275,166	283,604	291,995	294,512	2,290,462	3,709,192	5.68%
Weighted Average Effective Interest Rate	6.24%	5.93%	5.91%	5.89%	5.52%	5.59%		

CITY OF MELVILLE
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Note 31: Fair Value Measurements

The City of Melville measures the following assets at fair value on a recurring basis after initial recognition:

- Financial Assets at fair value through profit or loss
- Plant and Equipment (including Artworks, Computer Equipment, Electronic Equipment, Furniture & Fittings, Mobile Plant and Plant & Equipment);
- Infrastructure (including Drains, Footpaths, Irrigation, Parks, Roads and Street Furniture); and

The following table provides the fair values of the City of Melville's assets measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

Recurring Fair Value Measurements

		30 June 2014			
	Note	Level 1	Level 2	Level 3	Total
Financial Assets					
Financial Assets at fair value through profit or loss:					
- CDOs	5	-	1	-	1
Total financial assets recognised at fair value on a recurring basis		-	1	-	1
Non-Financial Assets					
Drains	10	-	-	49,929,414	49,929,414
Footpaths	10	-	-	63,559,642	63,559,642
Irrigation	10	-	-	6,606,161	6,606,161
Parks	10	-	-	1,629,973	1,629,973
Roads	10	-	-	144,857,056	144,857,056
Street Furniture	10	-	-	1,846,557	1,846,557
Total non-financial assets recognised at fair value on a recurring basis		-	-	268,428,803	268,428,803

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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Note 31: Fair Value Measurements (continued)

		30 June 2013			
	Note	Level 1	Level 2	Level 3	Total
Financial Assets					
Financial Assets at fair value through profit or loss:					
- CDOs	5	-	82,238	-	-
Total financial assets recognised at fair value on a recurring basis		-	82,238	-	-
Non-Financial Assets					
Artworks	10	-	-	997,691	997,691
Computer Equipment	10	-	1,350,718	-	1,350,718
Electronic Equipment	10	-	107,371	-	107,371
Furniture & Fittings	10	-	-	1,478,763	1,478,763
Mobile Plant	10	-	6,706,370	-	6,706,370
Plant & Equipment	10	-	8,818,161	-	8,818,161
Total non-financial assets recognised at fair value on a recurring basis		-	-	19,459,074	19,459,074

(a) Transfers Policy

The policy of the City of Melville is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period. There were no transfers between Levels 1, 2 or 3 for recurring fair value measurements during the year.

(b) Highest and Best Use

All assets have been valued at their highest and best use, that being their current use.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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Note 31: Fair Value Measurements (continued)

(c) Valuation techniques and Inputs used to derive fair values

The fair values of financial and non-financial assets that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets where there is no active market for the assets.

The following table summarises valuation inputs and techniques used to determine the Fair value for each asset class.

Asset	Level of Valuation Input	Fair Value at 30 June 2014	Valuation Technique(s)	Inputs Used
Financial Assets				
Financial Assets at Fair Value through profit or loss – CDOs	2	1	Market approach	Similar priced securities in active market
TOTAL		<u>1</u>		
Non-Financial Assets				
Drains	3	49,929,414	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Footpaths	3	63,559,642	Cost Approach	
Irrigation	3	6,606,161	Cost Approach	
Parks	3	1,629,973	Cost Approach	
Roads	3	144,857,056	Cost Approach	
Street Furniture	3	1,846,557	Cost Approach	
TOTAL		<u>268,428,803</u>		

**CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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Note 31: Fair Value Measurements (continued)

Recurring fair value measurements

The following methods are used to determine the fair value measurements.

Plant, Equipment, Furniture and Fittings

These classes of assets were revalued in 2013 by independent valuers (Griffin Valuers) as part of the mandatory requirements embodied in Local Government (Financial Management) Regulation 17A. Whilst the additions since that time are shown at cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down values approximate fair values. Thus, the values are considered in accordance with Local Government (Financial Management (Regulation) 17A (2) which requires these assets to be shown at fair value. They will be revalued during the year ended 30 June 2016 in accordance with the mandatory asset measurement framework detailed at Note 1(c).

Most plant and equipment assets are generally valued using the market and cost approach using comparable sales and relevant industry market price reference guides, and have been classified as being valued at Level 2 of the fair value hierarchy. The most significant inputs into this valuation approach are the make, size, year of manufacture and condition.

Level 3 valuation inputs were used to determine the fair value of a range of Artworks and Furniture & Equipment. The valuation methodology has been determined having regard to the existence of a market, the level of specialisation of the asset and the availability of sales evidence. An assessment of the economic life and remaining economic life of the various assets has been derived by Council from comparison of similar assets and this forms the basis of the depreciated value of the asset.

Infrastructure Assets

Infrastructure assets of drains, footpaths, irrigation, parks, roads and street furniture fair values were determined by in house and verified by independent valuers (Talis Asset Management, Asset Infrastructure Management and Opus International), effective date 30 June 2014.

These were valued using the application of unit rates. Unit rates are developed by summing each component which goes into producing a unit (be it metres, square metres, tonnes, etc.) of an asset. The major components of any asset are the raw materials, plant, labour and intangibles. These unit costs are then applied to known measurements of the assets to produce a replacement cost, which is then depreciated to estimate the Fair Value.

The raw cost of material, as well as plant and labour hire rates, are established either through communicating directly with suppliers and obtaining quoted prices, by using cost guides such as the Rawlinsons Construction Handbook, reviewing prices supplied by Council and indexing costs where appropriate from the ABS Producer Price Indexes.

**CITY OF MELVILLE
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FOR THE YEAR ENDED 30TH JUNE 2014**

Note 31: Fair Value Measurements (continued)

Drainage

A revaluation of the network as at 30 June 2014 was undertaken. Unit rates were reviewed at the same time as the data collection exercise was undertaken, which were taken from contract rates used and indexed from the date of the data collection exercise to June 2014 to determine a 2013/2014 valuation for the network. Asset Infrastructure Management (AIM) reviewed the valuation process and data.

Footpaths

A revaluation of the network as at 30 June 2014 was undertaken by Opus International Consultants. A new methodology was used in order to provide a more accurate representation of the condition of the paths. Instead of assigning a single value to the lowest condition of the entire path, the path was broken into lengths of similar condition. The resulting figures show an improvement in the path network as a small area of poor condition does not overrule a larger area of good condition.

The revaluation was based on the updated inventory and unit rates which were reviewed and updated by Opus. This included a review of the assets useful and remaining life.

Irrigation

Irrigation capital expenditure is covered by changes to the Archibus equipment and condition list and so acquisitions are included in the asset register on an ongoing basis and not separately included.

The Irrigation equipment was valued using the enhanced "Fair Value" valuation process and the replacement cost of the equipment indexed for changes. The Total useful Life (TUL) was set and the Remaining Useful Life (RUL) was adjusted according to purchase date of the asset and the current date.

Parks

The inventory was indexed using ABS indexes which lead to a small decrease in the valuation.

**CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

Note 31: Fair Value Measurements (continued)

Roads

A revaluation of the network as at 30 June 2014 was undertaken using the ROMAN 2 (pavement management system) road inventory data. Where the condition was able to be determined from the valuer's inspection or where detailed condition reports have been prepared, the remaining life is dependent on the recorded condition, using a sliding scale. Where detailed condition is not available however the age of the asset is known, the remaining life is estimated using the current age of the assets, adjusted for obsolescence after visual inspection where possible.

Where neither the condition nor the age are known, assumptions are made as to the age and condition of the assets in collaboration with council staff, in order to obtain a depreciated replacement cost which reasonably reflects the value of the asset.

Street Furniture

Street furniture was included in the valuation performed in 2013 of park assets undertaken by Griffin Valuers.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

Note 31: Fair Value Measurements (continued)

(d) Fair Value Sensitivity to Unobservable Inputs

The following table provides a summary of the unobservable inputs and an assessment of the sensitivity of these to the fair value measurement.

Description and fair value as at 30 June 2014	Unobservable inputs	Range of inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Artworks \$1,074,461	Relationship between asset consumption rating scale and the level of consumed service potential	(+/-) 5%	A change of 5% would result in a change in fair value by \$53,723
Furniture & Fittings \$1,707,967	Relationship between asset consumption rating scale and the level of consumed service potential	(+/-) 5%	A change of 5% would result in a change in fair value by \$85,398
Drains \$49,929,414	Relationship between asset consumption rating scale and the level of consumed service potential	(+/-) 5%	A change of 5% would result in a change in fair value by \$2,496,471
Footpaths \$63,559,642	Relationship between asset consumption rating scale and the level of consumed service potential	(+/-) 5%	A change of 5% would result in a change in fair value by \$3,177,982
Irrigation \$6,606,161	Relationship between asset consumption rating scale and the level of consumed service potential	(+/-) 5%	A change of 5% would result in a change in fair value by \$330,308
Parks \$1,629,973	Relationship between asset consumption rating scale and the level of consumed service potential	(+/-) 5%	A change of 5% would result in a change in fair value by \$81,499
Roads \$144,857,056	Relationship between asset consumption rating scale and the level of consumed service potential	(+/-) 5%	A change of 5% would result in a change in fair value by \$7,242,852
Street Furniture \$1,846,557	Relationship between asset consumption rating scale and the level of consumed service potential	(+/-) 5%	A change of 5% would result in a change in fair value by \$92,328

**CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

Note 31: Fair Value Measurements (continued)

(e) Valuation processes

The City of Melville engaged external, independent and qualified valuers to determine the fair value of the Council's assets. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material, a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

As at 30 June 2014, a comprehensive revaluation was undertaken for Plant & Equipment and Infrastructure assets by Griffin Valuers, Asset Infrastructure Management, Opus International Consultants and Talis Consultants.

The main Level 3 inputs used are derived and evaluated as follows:

- **Relationship between asset consumption rating scale and the level of consumed service potential** – Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this, the valuer determines an asset consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to the fair value require profession judgment and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value, useful life and pattern of consumption of the future economic benefit. The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of Council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against Council's own understanding of the assets and the level of remaining service potential.

**CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

Note 31: Fair Value Measurements (continued)

(f) Disclosed Fair Value Measurements

The following assets and liabilities are not measured at fair value in the statement of financial position, but their fair values are disclosed in the notes:

- Borrowings

The following table provides the level of fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used:

Description	Note	Fair Value Hierarchy Level	Valuation Technique(s)	Inputs Used
Liabilities				
Borrowings	11	2	Income approach using discounted cash flow methodology	Current treasury borrowing rates for similar instruments

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the notes to the financial statements.

For all general enquiries:

Tel: 1300 635 845

Fax: (08) 9364 0285

Street Address

10 Almondbury Road, Booragoon WA 6154

Postal Address

Locked Bag 1, Booragoon WA 6954

Civic Centre Opening Hours

Monday to Friday, 8.30am to 5.00pm

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