



City of Melville

Annual Financial Report

2015-2016 - Part B

Annual Financial Report 2015-2016

Independent Auditor's Report

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Independent Auditor's Report To the Ratepayers of City of Melville

We have audited the accompanying financial report of City of Melville ("the Council") which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income by program, the statement of profit or loss and other comprehensive income by nature and type, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Chief Executive Officer's statement.

Council's responsibility for the financial report

The Council of the City of Melville is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1995 Part 6. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1995 Part 6 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the City of Melville's financial position and of their performance.

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

Independence

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

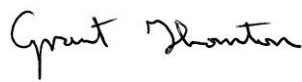
Auditor's opinion

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

- (i) gives a true and fair view of the City of Melville's financial position as at 30 June 2016 and of its performance for the financial year ended 30 June 2016;
- (ii) complies with Australian Accounting Standards (including the Australian Accounting Interpretations); and
- (iii) is prepared in accordance with the requirements of the Local Government Act 1995 Part 6 (as amended) and Regulations under that Act.

Statutory Compliance

I did not, during the course of my audit, become aware of any instance where the Council did not comply with the requirements of the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996 as they relate to financial statements.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P W Warr
Partner - Audit & Assurance

Perth, 4 November 2016



CITY OF MELVILLE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016
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 2016 are in my opinion properly drawn up to present fairly the financial position of the City of Melville at 30th June 2016 and the results of the operations for 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 4th day of November 2016.



Dr Shayne Silcox
CHIEF EXECUTIVE OFFICER



P Warr
Grant Thornton Audit Pty Ltd
10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

Dear Patrick,

City of Melville
Audit for the year ended 30 June 2016

This representation letter is provided in connection with your audit of the financial report of City of Melville for the financial year ended 30 June 2016, for the purpose of you expressing an opinion as to whether the financial report is, presented fairly in accordance with the Australian Accounting Standards including the Australian Accounting Interpretations and the Local Government Act 1995 and the Regulations under that Act.

We acknowledge our responsibility for ensuring that the financial report is in accordance with Accounting Standards (including Australian Accounting Interpretations) and the Local Government Act 1996 Par 6 (as amended) and the Regulations under this Act and confirm that the financial report is free of material misstatement; including omissions and that we have approved the financial report.

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 City of Melville taken as a whole, and that your tests of the accounting records and other auditing procedures were limited to those which you considered necessary for that purpose.

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

General

- 1 We have made available to you:
 - a all financial records and related data, other information, explanations and assistance necessary for the conduct of the audit; and



- b minutes of all meetings of the Council.
- 2 There are no material transactions that have not been properly recorded in the accounting records underlying the financial report.
- 3 We confirm that there have been no changes to the accounting policies applied in the previous annual financial report or the methods used in applying them, other than those disclosed in the financial report.
- 4 We have established and maintained adequate internal control to facilitate the preparation of a reliable financial report, and adequate financial records have been properly maintained.
- 5 We have no plans or intentions that may materially affect the carrying values, or classifications of assets and liabilities.
- 6 We confirm the appropriateness of the measurement of accounting estimates, including related assumptions, used in the preparation of the financial report and the consistency in application of the processes.
- 7 The following have been properly recorded or disclosed in the financial report
 - a share options, warrants, conversion or other requirements;
 - b arrangements involving restrictions on cash balances, compensating balances and line of credit or similar arrangements; and
 - c agreements to repurchase assets previously disposed.
- 8 We confirm the reasonableness of significant assumptions, including whether they appropriately reflect management's intention and ability to carry out specific courses of action on behalf of City Of Melville where relevant to the fair value measurement or disclosures.
- 9 Other than as disclosed to you, there have been no:
 - a irregularities involving management or employees who have significant roles in the system of internal control structure;
 - b irregularities involving other employees, that could have a material effect on the financial report;
 - c communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial report; or
 - d known actual or possible non-compliance with laws and regulations.



- 10 Details have been furnished to you about all material contracts that may affect the financial report for the year ended 30 June 2016 or that have become effective since that date.
- 11 We are not aware of any pending litigation involving the entity other than the matters disclosed in the financial report.
- 12 All contingent liabilities have been provided for or noted in the financial report.
- 13 There were no material commitments for goods or services or purchase commitments in excess of normal requirements or at prices in excess of the prevailing market prices at year end, other than disclosed in the financial report.
- 14 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.

Capital management

- 15 All disclosures in the financial report in respect of capital management processes reflect actual processes in place during the reporting period.

Events subsequent to balance date

- 16 No events, other than those disclosed in the financial report, have occurred subsequent to the balance sheet 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.

Fraud and error

- 17 We have disclosed to you:
 - a the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
 - b our knowledge of fraud or suspected fraud affecting the Council involving:
 - i management
 - ii employees who have significant roles in internal control
 - iii others where the fraud could have a material effect in the financial report
 - c our knowledge of any allegations of fraud or suspected fraud, affecting City of Melville's financial report communicated to us by employees, former employees, analysts, regulators or others.



- 18 We acknowledge our responsibility for the design and implementation of internal control to prevent and detect fraud and error.

Assets

- 19 City of Melville has satisfactory title to all assets, and there are no liens or encumbrances on such assets that have not been disclosed nor has any asset been pledged as collateral.
- 20 For assets carried at fair value, we have assessed fair value in accordance with the applicable requirements of AASB 116 Property, Plant and Equipment, AASB 138 Intangible Assets and AASB 139 Financial Instruments: Recognition and Measurement.

Impairment of assets

- 21 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.

Property, plant and equipment

- 22 During the year all additions to property, plant and equipment represented the cost of additional assets, or additions and improvements to existing assets, and no material items of capital expenditure were written off against profits.
- 23 Rates of depreciation applied to reduce book values of individual assets to their estimated residual values, reflect the probable useful lives of those assets to City of Melville.
- 24 The entity has no “make good” obligations in respect of its property, plant and equipment for which it would be required to make a restorative provision under AASB 137 Provisions, Contingent Liability and Contingent Assets which have not been included in the financial report.

Inventory

- 25 Inventories in the balance sheet comprise the whole of the entity inventories and work in progress wherever situated and stocks held on consignment from or on behalf of other parties have been excluded.
- 26 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.
- 27 Full provision has been made in respect of all defective, obsolete or slow moving inventory.

Receivables

- 28 Balances owing by trade and other debtors at balance date are valid receivables and do not include charges for goods on consignment, approval or repurchase agreements.



- 29 All known bad debts have been written off and the provision for doubtful debts in our opinion is adequate and has been calculated in accordance with the requirements of AASB 139 Financial Instruments: Recognition and Measurement.

Insurance

- 30 All assets and insurable risks of the entity are adequately covered by insurance.

Financial assets

- 31 The sensitivity analysis disclosed in the financial report for foreign exchange risk, interest rate risk and other price risk are all based upon reasonably possible fluctuations in currencies, interest rates and prices for the period until the next annual financial report is expected to be signed.
- 32 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.
- 33 All concentrations of credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risk) have been properly disclosed in the financial report.
- 34 Disclosures relating to processes for managing risk in relation to financial instruments reflect actual processes in place during the reporting period.
- 35 All information regarding transactions involving trading with derivatives has been made available to you. All derivatives have been marked to market at the year end and recorded at this value in the financial report.

Liabilities

- 36 All material liabilities at the balance sheet 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 included in inventory.
- 37 We have disclosed the existence of any loans approved but not drawn down at the reporting date.
- 38 No asset of the City of Melville has been pledged as security for any liability, except as disclosed in the financial report.
- 39 All amounts of capital repayment and interest due to be paid to lenders during the reporting period were made on time, in accordance with provision of the loan agreement, except as disclosed in the financial report.



- 40 There are no financial guarantee contracts in place to third parties which could be called upon in the event of a default, other than those disclosed in the financial report.

Bank facilities

- 41 We confirm that we have complied with the terms and conditions of the bank facilities agreement including that we have not breached any of the reportable covenants contained within the agreement.
- 42 We consider the classification of the loan liability between current and non-current is appropriate.

Taxation

- 43 Adequate amounts have been accrued for all local and foreign taxes on income including amounts applicable to prior years not finally settled and paid.
- 44 Deferred tax assets in relation to tax losses have only been brought to account when it is probable that they will be realised.
- 45 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.

Related parties

- 46 All details of related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees (written or oral), have been correctly recorded in the accounting records and have been properly disclosed in the entity's financial report or notes thereto, where required by statute, the Australian Accounting Standards, or where such disclosure is necessary for the true and fair presentation of the entity's financial report..

Revenue

- 47 Revenue has been recognised in accordance with AASB 118, and where applicable, our assessment of the percentage completion accurately reflects the status of the project in accordance with project milestones.

Going concern

- 48 We have made an assessment of the entity'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 City of Melville's ability to continue as a going concern.

Audit adjustments

- 49 We acknowledge there were no unrecorded misstatements that were brought to our attention in relation to the review of the financial report.



Yours sincerely

City of Melville

Name: Marten Tieleman

Title: Director Corporate Services

Name: Dr Shayne Silcox

Title: Chief Executive Officer

Dated this 31st day of October 2016

CITY OF MELVILLE
STATEMENT of COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2016

	Note	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Revenue				
Rates	14	82,257,856	80,627,652	78,551,344
Operating Grants, Subsidies and Contributions	19	2,215,270	3,644,291	5,562,989
Fees & Charges	17	15,557,906	15,376,408	14,906,277
Service Charges	18	5,401,574	5,415,764	6,153,584
Interest Earnings	2(a)(ii)	4,553,110	3,315,000	4,425,058
Other Revenue		2,916,171	1,844,922	3,032,661
		112,901,887	110,224,037	112,631,913
Expenses	1,2			
Employee Costs		(43,840,018)	(45,412,958)	(41,482,903)
Materials & Contracts		(27,240,762)	(29,959,002)	(25,667,689)
Utilities		(3,811,776)	(4,199,184)	(3,795,534)
Insurance		(1,228,341)	(1,491,132)	(1,274,099)
Depreciation	2(a)(i)	(13,872,835)	(15,744,885)	(15,431,700)
Interest Expenses		(204,067)	(187,321)	(193,391)
Other Expenditure		(7,447,242)	(4,418,244)	(6,110,072)
		(97,645,041)	(101,412,726)	(93,955,388)
		15,256,846	8,811,311	18,676,525
Grants/Contributions for the Development of Assets				
Non-Operating Grants, Subsidies and Contributions	19	3,153,158	2,101,379	3,693,989
		3,153,158	2,101,379	3,693,989
(Profit)/Loss on Disposal of Assets	10			
Profit on Asset Disposals		583,276	-	546,911
Loss on Asset Disposals		(867,006)	-	(493,351)
		(283,730)	-	53,560
Other Revenue / (Expenses)				
Investment Gains / (Losses)	2a(ii)	6,342,700	-	-
Revaluation of Investment Properties		-	-	14,167,779
Increase / (Decrease) in Equity - SMRC	24	(2,460,647)	-	809,303
		3,882,053	-	14,977,082
NET RESULT	27(ii)	22,008,327	10,912,690	37,401,156
Other Comprehensive Income				
Changes on Revaluation of Non-Current Assets	10	43,566,129	-	461,679,199
Total Other Comprehensive Income		43,566,129	-	461,679,199
TOTAL COMPREHENSIVE INCOME		65,574,456	10,912,690	499,080,355

CITY OF MELVILLE
STATEMENT of COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2016

	Note	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Revenue	3			
Governance		127,500	1,000	145,615
General Purpose Funding		91,908,883	91,207,202	92,340,294
Law, Order, Public Safety		2,610,602	2,505,824	2,509,660
Health		365,030	326,433	284,268
Education & Welfare		257,986	234,195	358,904
Housing		70,150	61,543	59,171
Community Amenities		3,774,600	3,055,507	3,351,188
Recreation and Culture		7,992,188	8,294,206	8,214,526
Transport		1,304,775	1,173,400	1,045,610
Economic Services		3,327,179	2,803,254	2,802,489
Other Property and Services		1,162,994	561,472	1,520,188
		112,901,887	110,224,036	112,631,913
Expenses	3			
Governance		(3,861,699)	(4,494,009)	(3,690,243)
General Purpose Funding		(5,163,507)	(4,243,834)	(4,251,786)
Law, Order, Public Safety		(4,038,718)	(4,085,120)	(3,762,242)
Health		(1,023,369)	(1,071,022)	(920,270)
Education & Welfare		(2,684,644)	(2,899,612)	(2,738,074)
Housing		(52,889)	(34,229)	(36,326)
Community Amenities		(24,437,283)	(25,484,687)	(23,234,927)
Recreation and Culture		(28,933,081)	(30,539,827)	(28,807,269)
Transport		(14,960,417)	(14,386,738)	(14,062,526)
Economic Services		(2,666,306)	(2,142,783)	(2,105,537)
Other Property and Services		(9,619,060)	(11,843,544)	(10,152,797)
		(97,440,973)	(101,225,405)	(93,761,997)
		15,460,914	8,998,631	18,869,916
Finance Costs				
Recreation and Culture		(204,067)	(187,321)	(193,391)
		(204,067)	(187,321)	(193,391)
Non Operating Grants, Subsidies and Contributions				
General Purpose Funding	19	3,153,158	2,101,379	3,693,989
		3,153,158	2,101,379	3,693,989
(Profit)/Loss on Disposal of Assets	10(d)			
Governance		(20,451)	-	(4,458)
Education & Welfare		-	-	(123,525)
Community Amenities		(3,251)	-	546,911
Recreation and Culture		(9,669)	-	(16,765)
Other Property and Services		(250,359)	-	(348,602)
		(283,730)	-	53,560
Other Revenue / Expenses				
Investment Gains / (Losses)		6,342,700	-	-
Increase / (Decrease) in Equity - SMRC	24	(2,460,647)	-	809,303
Revaluation of Investment Properties		-	-	14,167,779
		3,882,053	-	14,977,082
NET RESULT	27(ii)	22,008,327	10,912,690	37,401,156
Other Comprehensive Income				
Changes on Revaluation of Non-Current Assets	10	43,566,129	-	461,679,200
Total Other Comprehensive Income		43,566,129	-	461,679,200
TOTAL COMPREHENSIVE INCOME		65,574,456	10,912,690	499,080,355

Note : Movement in program from adopted budget due to reclassifications during the year.

CITY OF MELVILLE
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016

	Note	2015/16 Actual \$	2014/15 Actual \$
Current Assets			
Cash & Cash Equivalents	4	118,784,310	104,227,726
Trade & Other Receivables	6	10,351,827	7,358,311
Inventories	7(a)	107,784	124,721
Other Assets	7(b)	413,948	528,547
Total Current Assets	21	129,657,869	112,239,305
Non Current Assets			
Trade & Other Receivables	6	3,835,502	4,142,171
Property, Plant & Equipment	10(a),(b)	714,788,278	712,172,394
Infrastructure	10(c),(d)	345,780,466	303,061,280
Investment Property	10(e)	56,167,662	48,376,002
Other Financial Assets	5	6,267,695	8,728,341
Total Non Current Assets		1,126,839,603	1,076,480,188
TOTAL ASSETS	26	1,256,497,472	1,188,719,493
Current Liabilities			
Trade & Other Payables	8	7,054,999	4,753,375
Provisions	9	7,185,339	6,967,373
Current Position of Long Term Borrowings	11	281,299	276,333
Total Current Liabilities	21	14,521,637	11,997,081
Non Current Liabilities			
Trade & Other Payables	8	224,726	206,294
Long Term Borrowings	11	2,494,383	2,793,861
Provisions	9	562,647	602,636
Total Non Current Liabilities		3,281,756	3,602,791
TOTAL LIABILITIES		17,803,392	15,599,872
NET ASSETS		1,238,694,079	1,173,119,621
Equity			
Retained Surplus		297,627,395	292,055,022
Reserves - Cash / Investment Backed	12	112,193,310	95,757,355
Reserves - Asset Revaluation	12(a)	828,873,374	785,307,244
TOTAL EQUITY		1,238,694,079	1,173,119,621

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2016**

	Note	RETAINED SURPLUS \$	RESERVES CASH//INVEST BACKED \$	ASSET REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2014		267,333,924	83,077,297	323,628,044	674,039,265
Net Result		37,401,156	-	-	37,401,156
Total Other Comprehensive Income Changes on Revaluation of Non- Current Assets		-	-	461,679,200	461,679,200
Funds to be (Set Aside) / Used	12	(12,680,058)	12,680,058	-	-
Balance as at 30 June 2015		292,055,022	95,757,355	785,307,244	1,173,119,623
Net Result		22,008,327	-	-	22,008,327
Total Other Comprehensive Income Changes on Revaluation of Non- Current Assets	10	-	-	43,566,129	43,566,129
Funds to be (Set Aside) / Used	12	(16,435,955)	16,435,955	-	-
Balance as at 30 June 2016		297,627,395	112,193,310	828,873,374	1,238,694,079

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 2016**

	Note	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Cash Flows from Operating Activities				
Receipts				
Rates		81,758,281	80,627,651	76,935,114
Fees and Charges		15,388,461	14,993,743	14,539,880
Service Charges		5,401,574	5,743,398	6,471,462
Interest Earnings		5,171,608	1,659,466	4,925,714
Operating Grants, Subsidies and Contributions		2,215,270	3,644,291	5,562,989
Goods and Services Tax		4,863,291	-	5,616,711
Other Revenue		3,030,770	1,844,923	4,247,587
		117,829,255	108,513,472	118,299,457
Payments				
Employee Costs		(44,468,843)	(45,149,375)	(41,098,565)
Materials and Contracts		(23,433,436)	(29,938,804)	(29,857,298)
Utilities		(3,811,776)	(4,199,184)	(3,795,534)
Insurance		(1,228,341)	(1,491,132)	(1,274,099)
Interest Expenses		(951,379)	2,011,466	(498,279)
Goods and Services Tax		(5,017,306)	-	(5,348,598)
Other Expenditure		(7,428,810)	(4,418,244)	(6,865,344)
		(86,339,890)	(83,185,273)	(88,737,717)
Net Cash Provided by Operating Activities	27(ii)	31,489,365	25,328,199	29,561,740
Cash Flows from Investing Activities				
Proceeds from Gain in Investments		3,565,878	-	-
Proceeds from Sale of Plant and Equipment	10	583,277	694,130	1,985,167
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets	19	3,153,158	2,101,379	3,693,989
Payments for Purchase of Property, Plant and Equipment	10	(11,784,178)	(11,126,188)	(7,325,609)
Payments for Construction of Infrastructure	10	(12,451,323)	(16,644,956)	(15,553,782)
Net Cash Used in Investing Activities		(16,933,188)	(24,975,635)	(17,200,235)
Cash Flows from Financing Activities				
Repayment of Self Supporting Loans	11	(294,512)	(284,213)	(268,319)
Proceeds from Self Supporting Loans	11	294,918	284,213	268,201
Net Cash Provided by (Used In) Financing Activities		406	-	(118)
Net Increase / (Decrease) in Cash Held		14,556,583	352,564	12,361,387
Cash at Beginning of Year		104,227,726	93,961,677	91,866,339
Cash and Cash Equivalents at the End of Year	27(i)	118,784,310	94,314,241	104,227,726

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 2016**

	Note	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Revenue				
Governance		127,500	1,000	145,615
General Purpose Funding		9,651,027	10,579,550	13,788,949
Law, Order, Public Safety		2,610,602	2,505,824	2,509,660
Health		365,030	326,433	288,740
Education & Welfare		257,986	234,194	358,904
Housing		70,150	61,543	59,171
Community Amenities		3,854,600	3,205,507	3,567,108
Recreation and Culture		8,147,138	8,294,206	8,412,081
Transport		4,202,112	3,124,779	4,194,160
Economic Services		3,327,179	2,803,255	2,802,489
Other Property and Services*		5,067,913	561,473	16,678,310
*See Note 2(a)(ii) for significant revenue				
		37,681,237	31,697,764	52,805,187
Expenses				
Governance		(3,861,699)	(4,494,009)	(3,690,243)
General Purpose Funding		(5,163,507)	(4,243,834)	(4,251,786)
Law, Order, Public Safety		(4,038,718)	(4,085,120)	(3,762,242)
Health		(1,023,369)	(1,071,022)	(920,270)
Education & Welfare		(2,684,644)	(2,899,612)	(2,738,074)
Housing		(52,889)	(34,229)	(36,326)
Community Amenities		(24,437,283)	(25,484,687)	(23,234,927)
Recreation and Culture		(29,137,149)	(30,727,148)	(29,000,659)
Transport		(14,960,417)	(14,386,738)	(14,062,526)
Economic Services		(2,666,306)	(2,142,783)	(2,105,537)
Other Property and Services		(11,029,826)	(11,843,543)	(8,910,483)
		(99,055,807)	(101,412,725)	(92,713,073)
Net Result Excluding Rates		(61,374,570)	(69,714,962)	(39,907,886)
Adjustments for Cash Budget Requirements				
Non-Cash Revenue & Expenditure				
(Profit) / Loss on Asset Disposals		283,730	-	(53,548)
Depreciation on Assets	2(a)(i)	13,872,835	15,744,885	15,431,700
Plant Investment Provision		1,125,045	291,912	(898,109)
Investments Impaired / (Written Off)		-	-	(1,050,000)
(Increase)/Decrease in Equity - SMRC Joint Venture		2,460,647	-	(809,303)
Movement in Work in Progress		240,878	-	-
Net Current Movement in Other Debtor/Creditors		18,433	-	(300,000)
Revaluation of Investment Properties		-	-	(14,167,779)
Movement in Deferred Pensioner Rates/ESL (non-current)		7,190	-	(113,761)
Movement in Employee Benefit Provisions (non-current)		(39,989)	-	(190,704)
		17,968,769	16,036,797	(2,151,504)
Capital Revenue & Expenditure				
Purchase of Furniture & Equipment		(709,824)	(1,476,120)	(732,688)
Purchase of Plant & Equipment		(1,906,728)	(4,496,368)	(4,681,219)
Purchase of Land & Buildings		(9,167,626)	(5,153,700)	(1,911,701)
Purchase of Infrastructure Assets		(12,451,323)	(16,644,956)	(15,312,903)
Work in Progress		(306,228)	-	(240,878)
Proceeds from Disposal of Assets		583,277	694,130	1,985,167
Repayment of Debentures		(294,512)	(284,213)	(268,319)
Self-Supporting Loan Principal Revenue		294,918	284,215	268,725
Funds to be Set Aside		(40,528,469)	(27,249,628)	(30,790,794)
Carry Forward Funds to be Set Aside		(7,659,651)	-	(6,502,662)
Funds to be Used		31,752,163	27,127,153	24,613,397
		(40,394,003)	(27,199,487)	(33,573,875)
ADD : Surplus/(Deficit) - July 1 B/Fwd	21	4,484,869	250,000	1,566,790
LESS : (Surplus)/Deficit - June 30 C/Fwd	21	(2,942,921)	-	(4,484,869)
Amount Required to be Raised from General Rates	14	(82,257,856)	(80,627,652)	(78,551,344)

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES

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

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 for 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 and 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 a number of Superannuation Funds on behalf of employees. All funds to which the City contributes are defined contribution plans.

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

(e) Goods and Services Tax

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

Receivables and payables are stated inclusive of GST receivable or payable.

The net amount of GST recoverable from or payable to the ATO is included with receivables or payables in the Statement of Financial Position. Cash flows are presented on a gross basis.

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

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Trade 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 and 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.

(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.

Capitalisation of Assets Threshold

Assets will be recognised and reported at fair value in accordance with Regulations 17A of The Regulations and AASB 5, 13, 116 and 136 of the Standards.

Generally expenditure of a capital nature is recognised as an asset if the threshold value exceeds the following levels:

Artworks	ALL
Plant, Machinery & Equipment	ALL
Computer Equipment	\$5,000
Buildings	\$5,000
Infrastructure	\$5,000
Software	\$20,000
All Other Assets	\$5,000

Expenditure items below these thresholds are generally expensed.

Categories of Assets

Artworks
Building by Components (Roof, Structure, Fit Out, Air Conditioning and Electrical Services)
Buildings - Heritage by Components (Roof, Structure, Fit Out, Air Conditioning and Electrical Services)
Buildings - Investment Properties by Components (Roof, Structure, Fit Out, Air Conditioning and Electrical Services)
Land
Land - Investment Properties
Computer Equipment
Electronic Equipment
Furniture and Fittings
Jetties and Boardwalks
Plant and Equipment
Property Improvements
Mobile Plant (including vehicles & small mobile plant items)
Infrastructure - Drainage
Infrastructure - Footpaths
Infrastructure - Irrigation Systems
Infrastructure - Parks
Infrastructure - Roads
Infrastructure - Street Furniture
Infrastructure - Work In Progress

**CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

During the year ended 30 June 2013, the City commenced the process of adopting Fair Value in accordance with the regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established. The City revalues its asset classes in accordance with this mandatory timetable.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

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.

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.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 as profit or loss 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.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are valued by independent valuer and are included in the Statement of Financial Position at their open market value. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property. Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within change in fair value of investment property.

Rental income and operating expenses from investment property are reported within revenue and other expenses respectively.

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.

Depreciation will be recognised on a straight-line basis, using rates which are reviewed each reporting period. Major depreciation periods used for each class of depreciable asset are:

Artworks	Not Depreciated
Buildings - Electrical	40 - 120 Years
Buildings - Fit out	15 - 120 Years
Buildings - Floor Coverings	10 - 50 Years
Buildings - Hydraulics	40 - 160 Years
Buildings - Mechanical	10 - 120 Years
Buildings - Roofing	40 - 240 Years
Buildings - Super Structure	40 - 400 Years
Land	Not Depreciated
Land - Investment Properties	Not Depreciated
Computer Equipment	3 - 4 Years
Electronic Equipment	3 - 4 Years
Furniture and Fittings	10 Years
Jetties and Boardwalks	50 - 100 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
Drainage	80 Years
Footpaths	10 - 60 Years
Irrigation Systems	5 - 30 Years
Landscaping	5 Years
Roads - Formation	Not Depreciated
Roads - Kerbing	60 - 70 Years
Roads - Pavement	80 - 100 Years
Roads - Seal Bituminous	20 Years
Roads - Seal Asphalt	25 - 30 Years
Street Furniture	5 - 30 Years

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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 the City would receive on the sale of the asset or 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 or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

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.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, the City gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable. Inputs for which market data is not available and 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 1996 requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

(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.

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 initially recognised and the maturity amount calculated using the effective interest rate method.

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 are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

(ii) Loans and receivables

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

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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 assets, 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.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Provisions

Provisions are recognised when the City has present legal or constructive obligations, 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 (1) the fair value of the leased property or (2) 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.

(q) Investment in Associates

An associate is an entity over which the City has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the City's share of net assets of the associate. In addition, the City's share of the profit or loss of the associate is included in the City's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the City's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the City and the associate are eliminated to the extent of the City's interest in the associate.

When the City's share of losses in an associate equals or exceeds its interest in the associate, the City discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the City will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(r) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The City's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about joint ventures is set out in Note 24.

(s) 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 operations for the current reporting period.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Rounding Off Figures

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

(u) 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.

(v) 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.

(w) Budget Comparative Figures

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

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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 periods, 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 (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	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.
(iii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend upon the nature of future transactions the City has with those third parties it has dealings with. It may or may not be significant.
(iii) AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted. Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the City, the impact is not expected to be significant.
(v) AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	August 2014	1 January 2016	This Standard amends AASB 11: Joint Arrangements to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. This Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016. Therefore, Management believes it is impracticable at this stage to provide reasonable estimate of such impact on the City's Financial Statements.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

	Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(vi)	AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]	August 2014	1 January 2016	This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. Given the City uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.
(vii)	AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	01 January 2017	Consequential changes to various Standards arising from the issuance of AASB 15. It will require changes to reflect the impact of AASB 15.
(viii)	AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]	January 2015	01 January 2016	This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column. It is not anticipated it will have any significant impact on disclosures as they currently exist and any changes will relate to disclosure presentation in the City's financial statements.
(x)	AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities. [AASB 10, 124 & 1049]	March 2015	01 July 2016	The objective of this Standard is to extend the scope of AASB 124 Related Party Disclosures to include not-for-profit sector entities. The Standard is expected to have a significant disclosure impact on the financial report of the City as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.

(y) 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 mandatory and which were applicable to its operations.

These new and revised Standards were:

- (i) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality.
- (ii) AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. OPERATING REVENUES AND EXPENSES

(a) Net Result:

	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
(i) Charging as Expenses:			
Depreciation			
<u>By Class</u>			
Land and Buildings	1,939,454	4,478,556	4,530,555
Plant & Equipment	4,628,460	4,946,669	4,357,113
Infrastructure	6,227,689	6,319,660	5,552,632
Infrastructure - Other	1,073,775	-	990,515
Investment Property	3,457	-	897
	13,872,835	15,744,885	15,431,712
Auditors Remuneration			
Audit of the Annual Financial Report	23,922	30,000	22,307
Other Services	17,585	800	1,900
	41,507	30,800	24,207
Other Expenses			
Community Amenities [#]	2,460,647		
[#] The recognition of the City's interest in its Joint Venture with the SMRC (refer to Note 24 for further detail)			
(ii) Crediting as Revenues			
Other Revenue			
General Purpose Funding*	6,342,700	-	-
Community Amenities [#]		-	809,303
<u>This significant revenue / (expenses) relates to:</u>			
*Claim dividend for losses in Investments that were written down in previous years.			
[#] The recognition of the City's interest in its Joint Venture with the SMRC (refer to Note 24 for further detail)			
Interest Earnings			
<u>Investments</u>			
Reserve Funds	3,235,835	2,500,000	3,413,806
Other Funds	736,650	815,000	942,802
Other Interest Revenue	580,625	-	68,450
	4,553,110	3,315,000	4,425,058

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

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 Other Governance
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 2016

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
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 Tourism & Area Promotion
Other Property and Services	Private Works General Administration Overheads Public Works Overheads Plant Operation Salaries and Wages Business Unit Operations Unclassified Town Planning Schemes

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

4. CASH and CASH EQUIVALENTS

	2015/16 Actual \$	2014/15 Actual \$
(a) Current Assets		
Cash on Hand	7,800	8,441
Cash at Bank (Includes 11am at call accounts)	3,941,040	5,503,887
Term Deposits, Bonds & Floating Rate Term Deposits	114,835,470	98,715,398
Total Cash and Cash Equivalents	118,784,310	104,227,726
Investments	-	-
(Available for Sale)*See Note 5		
	118,784,310	104,227,726
Represented by		
Restricted Funds	112,193,310	95,757,355
Unrestricted Funds	6,591,000	8,470,371
*See Note 12 & Note 13		
	118,784,310	104,227,726
(b) Restricted Funds		
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Reserve Funds	112,193,310	95,757,355
Total Restricted Funds	112,193,310	95,757,355
*See Note 12		
(c) Conditions Over Contributions		
Contributions which were recognised as revenues during the reporting period that were obtained in respect of a future rating year collected in advance.		
General Purpose Funding	-	-
New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.		
Transport	-	-
Other Property and Services	-	-

5. NON-CURRENT ASSETS

	2015/16 Actual \$	2014/15 Actual \$
Units (10) held in Local Government House	230,645	230,645
Equity - SMRC Joint Venture (Refer Note 24)	6,037,050	8,497,696
Total Other Financial Assets	6,267,695	8,728,341

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

6. TRADE AND OTHER RECEIVABLES

	2015/16 Actual \$	2014/15 Actual \$
Current		
Rates Outstanding	4,622,198	4,115,433
Sundry Debtors	548,254	378,809
Less: Provision for Bad and Doubtful Debts	(6,280)	(6,280)
Goods and Services Tax Refund	602,429	448,414
Accrued Income	4,303,927	2,145,602
Loans - Clubs and Community Groups	281,299	276,333
	10,351,827	7,358,311
Non-Current		
Other Debtors	-	-
Deferred Rates - Pensioners *	1,341,119	1,348,309
Loans - Clubs and Community Groups	2,494,383	2,793,862
* Amounts deferred by eligible pensioners in accordance with the Rates and Charges (Rebates and Deferments) Act 1992.	3,835,502	4,142,171

7. INVENTORIES AND OTHER ASSETS

	2015/16 Actual \$	2014/15 Actual \$
(a) INVENTORIES		
Fuel and Materials at Cost	107,784	124,721
	107,784	124,721
(b) OTHER ASSETS		
Prepayments (Prepaid Expenses)	413,948	528,547
	413,948	528,547

8. TRADE AND OTHER PAYABLES

	2015/16 Actual \$	2014/15 Actual \$
Current		
Trade Creditors	6,417,692	2,361,953
Other Creditors	300,000	500,000
Accrued Salaries and Wages	326,888	1,133,692
Amounts Received in Advance	10,419	757,730
	7,054,999	4,753,375
Non-Current		
Creditors	224,726	206,294
	224,726	206,294

9. PROVISIONS

	2015/16 Actual \$	2014/15 Actual \$
Current		
Provision for Annual Leave	3,340,808	3,228,156
Provision for Long Service Leave	3,844,531	3,739,217
	7,185,339	6,967,373
Non-Current		
Provision for Long Service Leave	562,647	602,636
	562,647	602,636

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

**10. LAND AND BUILDINGS, PLANT AND EQUIPMENT, INFRASTRUCTURE, INFRASTRUCTURE
OTHER AND INVESTMENT PROPERTY**

(a) Land and Buildings	2015/16 Actual \$	2014/15 Actual \$
Land		
At Independent valuation 2015 - level 2	519,243,225	519,243,225
Closing Written Down Value	519,243,225	519,243,225
Buildings		
At Independent valuation 2015 - level 3	165,740,476	165,740,476
Additions after valuation - cost	1,298,384	-
Less : Accumulated Depreciation	(1,939,230)	-
Closing Written Down Value	165,099,631	165,740,476
Land Vested In & Under City's Control		
At Independent valuation 2015 - level 3	5,138,491	5,138,491
Closing Written Down Value	5,138,491	5,138,491
Total Land and Buildings		
At Independent valuation 2015 - level 2	519,243,225	519,243,225
At Independent valuation 2015 - level 3	170,878,967	170,878,967
Additions after valuation - cost	1,298,384	-
Less : Accumulated Depreciation	(1,939,230)	-
Closing Written Down Value	689,481,347	690,122,192
(b) Plant and Equipment	2015/16 Actual \$	2014/15 Actual \$
Plant and Equipment		
At Independent valuation 2016- level 3	10,885,845	-
At Management valuation 2015- level 3	-	19,494,128
Additions after valuation - cost	-	2,498,160
Disposals after valuation - cost	-	(8,000)
Less : Accumulated Depreciation	-	(12,520,557)
Closing Written Down Value	10,885,845	9,463,731
Electronic Equipment		
At Independent valuation 2016- level 3	123,135	-
At Management valuation 2015- level 3	-	524,375
Additions after valuation - cost	-	29,831
Disposals after valuation - cost	-	(25,776)
Less : Accumulated Depreciation	-	(391,688)
Closing Written Down Value	123,135	136,742
Furniture and Fittings		
At Independent valuation 2016- level 3	1,279,686	-
At Management valuation 2015- level 3	-	4,102,267
Additions after valuation - cost	-	127,167
Disposals after valuation - cost	-	(34,212)
Less : Accumulated Depreciation	-	(2,642,314)
Closing Written Down Value	1,279,686	1,552,908
Computer Equipment		
At Independent valuation 2016- level 3	456,471	-
At Management valuation 2015- level 3	-	5,777,585
Additions after valuation - cost	-	273,485
Disposals after valuation - cost	-	(103,755)
Less : Accumulated Depreciation	-	(5,035,871)
Closing Written Down Value	456,471	911,444

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

(b) Plant and Equipment (continued)	2015/16 Actual \$	2014/15 Actual \$
Property Improvements		
At Independent valuation 2015 - level 3	30,163	30,163
Additions after valuation - cost	-	-
Disposals after valuation - cost	-	-
Less : Accumulated Depreciation	(15,286)	-
Closing Written Down Value	14,876	30,163
Mobile Plant		
At Independent valuation 2016 - level 2	8,973,537	-
At Management valuation 2015- level 3	-	7,378,316
Additions after valuation - cost	-	4,681,219
Disposals after valuation - cost	-	(1,408,313)
Less : Accumulated Depreciation	-	(1,897,932)
Closing Written Down Value	8,973,537	8,753,290
Artworks		
At Independent valuation 2015 - level 3	3,573,379	-
At Management valuation 2015- level 3	-	1,087,490
Additions after valuation - cost	-	132,391
Disposals after valuation - cost	-	(4,950)
Less : Accumulated Depreciation	-	(13,009)
Closing Written Down Value	3,573,379	1,201,922
Total Plant and Equipment		
At Independent valuation 2016 - level 2	8,973,537	-
At Independent valuation 2016 - level 3	12,745,137	-
At Independent valuation 2015 - level 3	3,603,542	30,163
At Management valuation 2015- level 3	-	38,364,161
Additions after valuation - cost	-	7,742,252
Disposals after valuation - cost	-	(1,585,006)
Less : Accumulated Depreciation	(15,286)	(22,501,370)
Closing Written Down Value	25,306,932	22,050,201
(c) Infrastructure		
Infrastructure - Roads		
At Independent Valuation 2016 - level 3	216,712,464	-
At Independent Valuation 2015 - level 3	-	254,973,774
Less : Accumulated Depreciation	-	(87,296,136)
Closing Written Down Value	216,712,464	167,677,638
Infrastructure - Drains		
At Independent Valuation 2016 - level 3	58,103,479	-
At Independent Valuation 2015 - level 3	-	112,730,690
Less : Accumulated Depreciation	-	(51,532,382)
Closing Written Down Value	58,103,479	61,198,308
Infrastructure - Footpath		
At Independent Valuation 2016 - level 3	58,962,225	-
At Independent Valuation 2015 - level 3	-	86,293,172
Less : Accumulated Depreciation	-	(23,317,625)
Closing Written Down Value	58,962,225	62,975,547
Total Infrastructure		
At Independent Valuation 2016 - level 3	333,778,168	-
At Independent Valuation 2015 - level 3	-	453,997,636
Less : Accumulated Depreciation	-	(162,146,143)
Closing Written Down Value	333,778,168	291,851,493

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

(d) Infrastructure - Other

	2015/16 Actual \$	2014/15 Actual \$
Infrastructure - Parks		
At Management Valuation 2016 - level 3	9,343,391	-
At Management Valuation 2015 - level 3	-	8,546,604
Less : Accumulated Depreciation	(6,621,541)	(6,344,584)
Closing Written Down Value	2,721,850	2,202,020
Infrastructure - Street Furniture		
At Management Valuation 2016 - level 3	8,852,144	-
At Management Valuation 2015 - level 3	-	8,764,866
Less : Accumulated Depreciation	(7,156,611)	(7,005,628)
Closing Written Down Value	1,695,533	1,759,238
Infrastructure - Irrigation Systems		
At Management Valuation 2016 - level 3	16,051,469	-
At Management Valuation 2015 - level 3	-	15,134,190
Less : Accumulated Depreciation	(8,772,374)	(8,126,540)
Closing Written Down Value	7,279,095	7,007,650
Infrastructure - Work In Progress	305,819	240,878
Total Infrastructure - Other		
At Management Valuation 2016 - level 3	34,552,824	-
At Management Valuation 2015 - level 3	-	32,686,538
Less : Accumulated Depreciation	(22,550,526)	(21,476,752)
Closing Written Down Value	12,002,298	11,209,786

(e) Investment Property

	2015/16 Actual \$	2014/15 Actual \$
Investment Property : Land		
At Independent valuation 2015 - level 2	48,263,775	39,693,373
At Independent valuation 2016 - level 2	5,068,054	-
Add : Transfers From Land	-	8,570,402
Closing Written Down Value	53,331,829	48,263,775
Investment Property : Buildings		
At Independent valuation 2015 - level 3	112,227	256,519
At Independent valuation 2016 - level 3	2,727,062	-
Less : Accumulated Depreciation	(3,456)	(144,292)
Closing Written Down Value	2,835,833	112,227
Total Investment Property		
At Independent valuation 2015 - level 2	48,263,775	39,693,373
At Independent valuation 2016 - level 2	5,068,054	-
At Independent valuation 2015 - level 3	112,227	256,519
At Independent valuation 2016 - level 3	2,727,062	-
Add : Transfers From Land	-	8,570,402
Less : Accumulated Depreciation	(3,456)	(144,292)
Closing Written Down Value	56,167,662	48,376,002

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

(f) Disposals of Assets

	Net Book Value		Sale Proceeds		Profit / (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Computer Equipment	88,904	-	-	-	(88,904)	-
Electronic Equipment	6,594	-	6,470	-	(124)	-
Furniture & Fittings	14,056	-	1,950	-	(12,106)	-
Plant & Equipment	11,807	-	-	-	(11,807)	-
Mobile Plant and Vehicles	745,645	694,130	574,857	694,130	(170,789)	-
					-	-
Total	867,006	694,130	583,277	694,130	(283,730)	-

(g) Summary of Asset Movements (2015/16)

	Balance as at 01/07/2015 \$	Additions & Transfers \$	Disposals \$	Revaluations/ Transfers \$	Depreciation \$	Balance as at 30/06/2016 \$
Land and Buildings						
Land	519,243,225	-	-	-	-	519,243,225
Buildings	165,740,476	1,298,608	-	-	(1,939,454)	165,099,631
Land Vested	5,138,491	-	-	-	-	5,138,491
	690,122,192	1,298,608	-	-	(1,939,454)	689,481,347
Plant & Equipment						
Plant & Equipment	9,463,731	779,577	(11,807)	2,999,473	(2,345,129)	10,885,845
Electronic Equipment	136,743	76,295	(6,594)	17,988	(101,296)	123,136
Furniture & Fittings	1,552,908	144,428	(14,056)	(131,817)	(271,777)	1,279,686
Computer Equipment	911,444	156,530	(88,904)	103,221	(625,820)	456,471
Property Improvement	30,163	-	-	-	(15,286)	14,878
Mobile Plant	8,753,290	1,906,728	(745,646)	328,316	(1,269,152)	8,973,537
Artworks	1,201,922	296,453	-	2,075,004	-	3,573,378
	22,050,202	3,360,011	(867,006)	5,392,184	(4,628,460)	25,306,932
Infrastructure						
Roads	167,677,639	8,638,215	-	44,301,806	(3,905,196)	216,712,464
Drains	61,198,307	409,632	-	(2,720,096)	(784,364)	58,103,479
Footpaths	62,975,547	932,573	-	(3,407,765)	(1,538,130)	58,962,225
	291,851,493	9,980,420	-	38,173,945	(6,227,689)	333,778,168
Infrastructure - Other						
Parks	2,202,021	796,787	-	-	(276,957)	2,721,851
Street Furniture	1,759,238	87,278	-	-	(150,983)	1,695,533
Irrigation System	7,007,649	917,280	-	-	(645,834)	7,279,095
Work in Progress	240,878	64,941	-	-	-	305,819
	11,209,786	1,866,286	-	-	(1,073,775)	12,002,298
Investment Property :						
Land	48,263,775	5,068,054	-	-	-	53,331,829
Buildings	112,228	2,727,062	-	-	(3,457)	2,835,833
	48,376,003	7,795,116	-	-	(3,457)	56,167,662
Total	1,063,609,675	24,300,442	(867,006)	43,566,129	(13,872,835)	1,116,736,406

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

Revaluation of Assets

Infrastructure assets (roads, drainage and footpaths) were re-valued by management at 30 June 2016 for fair valuation. These figures were also independently reviewed and confirmed by external valuers and has resulted in a net transfer to the asset revaluation reserve of \$38,173,945.

Plant & Equipment, Electronic Equipment, Furniture & Fittings, Computer Equipment and Mobile Plant were revalued by an independent valuer at 30 June 2016 for fair valuation. The revaluation was carried out by Griffin Valuation Advisory (Licence Numbers 44074 & 44860). Fair valuation for 15/16 has resulted in a net transfer to the asset revaluation reserve of \$3,317,181.

Artwork was revalued by an independent valuer in 2014/15 for fair valuation. The valuations was carried out by an Artwork Consultant, Joy Legge and has resulted in a net increase to other revenue of \$2,075,004.

(e) Summary of Asset Movements (2014/15)

	Balance as at 01/07/2014 \$	Additions & Transfers \$	Disposals \$	Revaluations/ Transfers \$	Depreciation \$	Balance as at 30/06/2015 \$
Property, Plant & Equipment						
Land	145,318,598	800,000	(800,000)	373,924,627		519,243,225
Buildings	113,332,956	1,708,170	(123,526)	55,353,431	(4,530,555)	165,740,476
Land Vested	484,000	-	-	4,654,491		5,138,491
Plant & Equipment	9,042,844	2,498,160	(6,764)	-	(2,070,509)	9,463,731
Electronic Equipment	185,011	29,831	(2,335)	-	(75,764)	136,743
Furniture & Fittings	1,707,967	127,167	(14,854)	-	(267,371)	1,552,909
Computer Equipment	1,346,393	273,485	(4,458)	-	(703,976)	911,444
Property Improvement	49,555	-	-	-	(19,392)	30,163
Mobile Plant	6,266,912	4,681,219	(974,752)	-	(1,220,089)	8,753,290
Artworks	1,074,461	132,391	(4,918)	-	(12)	1,201,922
	278,808,697	10,250,423	(1,931,607)	433,932,549	(8,887,668)	712,172,394
Infrastructure						
Roads	144,857,057	9,786,777	-	16,546,295	(3,512,490)	167,677,639
Drains	49,929,414	848,029	-	11,124,149	(703,285)	61,198,307
Footpaths	63,559,642	676,556	-	76,206	(1,336,857)	62,975,547
Parks	1,629,973	860,003	-	-	(287,955)	2,202,021
Street Furniture	1,846,557	62,142	-	-	(149,461)	1,759,238
Irrigation System	6,606,161	954,587	-	-	(553,099)	7,007,649
	268,428,804	13,188,094	-	27,746,650	(6,543,147)	302,820,401
Infrastructure Work in Progress	184,049	56,829	-	-	-	240,878
	268,612,853	13,244,923	-	27,746,650	(6,543,147)	303,061,279
Investment Property :						
Land	34,980,402	(800,000)	-	14,083,373	-	48,263,775
Buildings	28,718	-	-	84,406	(897)	112,227
	35,009,120	(800,000)	-	14,167,779	(897)	48,376,002
Total	582,430,670	22,695,346	(1,931,607)	475,846,978	(15,431,712)	1,063,609,675

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

11. BORROWINGS

	2015/16 Actual \$	2014/15 Actual \$
Current		
Borrowings - Current Portion	281,299	276,333
Non-Current Loans		
Borrowings - Non-Current Portion	2,494,383	2,793,861
Total	2,775,682	3,070,194

(a) Details of Loan Liability

Program / Sporting Body	Loan No	Principal	(Loans Discharged) New Loans	Interest \$		Principal Repayments		Principal \$
		1 July 2015 \$		Budget \$	Actual \$	Budget \$	Actual \$	30 June 2016 \$
Recreation and Culture								
Applecross Tennis Club	372	20,748		1,123	1,241	16,627	14,427	6,321
Kardinya Bowling Club	379	142,942		15,800	10,354	33,589	27,909	115,033
Melville Glades Golf Club	382	547,889		37,225	40,566	62,436	62,436	485,453
Leeming Sport Association	398	137,184		8,336	9,286	13,699	13,699	123,485
Tompkins Park Community and Recreational Association	399	338,637		20,245	23,389	15,248	15,248	323,389
Melville Hockey Club	400	112,799		6,539	7,333	20,007	20,007	92,792
Bull Creek Tennis Club	406	58,499		3,276	3,796	4,205	4,205	54,293
Kardinya Bowling Club	408	47,420		2,833	3,207	10,792	10,792	36,628
Melville Glades Golf Club (17.5 years @ 6.00%)	411	1,305,889		78,308	88,136	65,119	65,119	1,240,770
Fremantle CBC Amateur Football Club	412	21,020		958	1,607	2,841	21,020	-
Mt Pleasant Bowling Club	413	235,233		8,845	10,570	27,662	27,662	207,571
Blue Gum Tennis Club	414	101,934		3,833	4,580	11,987	11,987	89,947
Total		3,070,194	-	187,321	204,067	284,212	294,512	2,775,682

* All the above loans are self supporting loans to sporting clubs and associations (ie. principal and interest is repaid to the City by the clubs and associations).

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

12. RESERVES

Cash & Investment Backed Reserves	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Attadale North Underground Power and Streetscape Enhancement Reserve			
To be used for underground power projects and streetscape enhancements in the Attadale North Underground Power project area.			
Opening Balance 1 July 2015	85,366	-	-
Amount set aside during the year	-	-	83,605
Amount set aside during the year - Investment Earnings	2,752	-	1,761
Amount used during the year	-	-	-
Closing Balance 30 June 2016	88,118	-	85,366
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 2015	131,915	132,269	126,583
Amount set aside during the year	-	-	-
Amount set aside during the year - Investment Earnings	354	4,310	5,332
Amount used during the year	(132,269)	-	-
Closing Balance 30 June 2016	-	136,579	131,915
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 2015	126,484	126,824	121,372
Amount set aside during the year	-	-	-
Amount set aside during the year - Investment Earnings	340	4,132	5,112
Amount used during the year	(126,824)	-	-
Closing Balance 30 June 2016	-	130,956	126,484
Ardross East Underground Power and Streetscape Enhancement Reserve			
To be used for underground power projects and streetscape enhancements in the Ardross East Underground Power project area.			
Opening Balance 1 July 2015	685,951	-	-
Amount set aside during the year	-	-	685,951
Amount set aside during the year - Investment Earnings	424	-	-
Amount used during the year	(672,800)	-	-
Closing Balance 30 June 2016	13,575	-	685,951
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 2015	5,519	13,871	103,275
Amount set aside during the year	-	-	-
Amount set aside during the year - Investment Earnings	178	452	2,244
Amount used during the year	-	-	(100,000)
Closing Balance 30 June 2016	5,697	14,323	5,519
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 2015	1,435,054	1,268,923	1,214,372
Amount set aside during the year	597,636	257,056	166,034
Amount set aside during the year - Investment Earnings	65,533	50,096	54,648
Amount used during the year	-	-	-
Closing Balance 30 June 2016	2,098,223	1,576,075	1,435,054

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

12. RESERVES

	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Cash & Investment Backed Reserves			
Community Facilities Reserve			
To be used for the provision of new, renewed or upgraded community facilities/buildings.			
Opening Balance 1 July 2015	13,176,570	11,436,784	11,319,741
Amount set aside during the year	5,847,790	2,478,598	2,420,378
Amount set aside during the year - Investment Earnings	586,822	302,522	505,269
Amount used during the year	(822,505)	(4,538,000)	(1,068,818)
Closing Balance 30 June 2016	18,788,677	9,679,904	13,176,570
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 2015	642,145	555,199	612,438
Amount set aside during the year	-	-	3,830
Amount set aside during the year - Investment Earnings	18,701	18,090	25,877
Amount used during the year	(62,077)	-	-
Closing Balance 30 June 2016	598,769	573,289	642,145
Future Works Reserve			
To be used to fund "New" Infrastructure Capital Works as opposed to renewal of existing assets as per Asset Management Plans.			
Opening Balance 1 July 2015	-	-	-
Amount set aside during the year	2,245,172	2,245,172	-
Amount set aside during the year - Investment Earnings	-	-	-
Amount used during the year	(2,245,172)	(2,245,172)	-
Closing Balance 30 June 2016	-	-	-
Information Technology Reserve			
To be used to fund the acquisition and replacement of computer software and information technology hardware.			
Opening Balance 1 July 2015	2,052,563	1,678,115	1,709,490
Amount set aside during the year	1,200,417	650,000	702,016
Amount set aside during the year - Investment Earnings	90,215	53,001	77,597
Amount used during the year	(454,713)	(699,220)	(436,540)
Closing Balance 30 June 2016	2,888,482	1,681,896	2,052,563
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 2015	10,495,894	10,483,687	8,406,179
Amount set aside during the year	14,167,210	12,188,647	11,974,796
Amount set aside during the year - Investment Earnings	506,375	326,723	389,881
Amount used during the year	(8,956,537)	(12,625,089)	(10,274,962)
Closing Balance 30 June 2016	16,212,942	10,373,968	10,495,894
Land and Property Reserve			
To be used to a) fund the acquisition or construction of commercial revenue earning land and or buildings, or b) internally fund the purchase or construction of City of Melville community facilities or infrastructure assets, on the basis that those funds will be returned to the Land and Property Reserve over a predetermined period of time with interest, with the interest rate being set at what would have been charged by the Western Australian Treasury Corporation for the term of the borrowing using the Semi Annual Annuity interest rate.			
Opening Balance 1 July 2015	36,566,685	33,605,237	30,637,339
Amount set aside during the year	2,776,776	2,150,000	4,664,309
Amount set aside during the year - Investment Earnings	1,009,258	1,160,465	1,386,173
Amount used during the year	(8,038,000)	(225,200)	(121,136)
Closing Balance 30 June 2016	32,314,719	36,690,502	36,566,685

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

12. RESERVES

	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Cash & Investment Backed Reserves			
Leave Entitlements Reserve To be used to fund annual, sick and long service leave entitlements accrued in previous financial years.			
Opening Balance 1 July 2015	2,298,818	2,311,089	1,923,104
Amount set aside during the year	300,089	331,749	288,631
Amount set aside during the year - Investment Earnings	78,866	70,704	87,083
Amount used during the year	(152,673)	(466,748)	-
Closing Balance 30 June 2016	2,525,100	2,246,794	2,298,818
Parking Facilities Reserve To be used to fund the provision, refurbishment or improvement of parking facilities and equipment.			
Opening Balance 1 July 2015	177,522	265,112	221,225
Amount set aside during the year	88,164	57,640	55,000
Amount set aside during the year - Investment Earnings	8,566	10,600	8,225
Amount used during the year	-	-	(106,928)
Closing Balance 30 June 2016	274,252	333,352	177,522
Plant Replacement Reserve To be used to fund the purchase of replacement motor vehicles and plant, including waste collection trucks.			
Opening Balance 1 July 2015	5,968,830	2,472,271	7,593,300
Amount set aside during the year	2,189,015	2,000,000	2,000,000
Amount set aside during the year - Investment Earnings	222,608	23,772	279,737
Amount used during the year	(1,253,056)	(3,667,740)	(3,904,207)
Closing Balance 30 June 2016	7,127,397	828,303	5,968,830
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 2015	31,870	31,771	52,906
Amount set aside during the year	-	-	-
Amount set aside during the year - Investment Earnings	375	85	1,749
Amount used during the year	(20,224)	(27,900)	(22,785)
Closing Balance 30 June 2016	12,021	3,956	31,870
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 2015	1,708,527	1,881,774	1,973,375
Amount set aside during the year	952,732	805,766	778,121
Amount set aside during the year - Investment Earnings	85,798	88,745	75,944
Amount used during the year	-	-	(1,118,913)
Closing Balance 30 June 2016	2,747,057	2,776,285	1,708,527
Rates Equalisation Reserve To temporarily retain any surplus carried forward funds as shown in the audited Annual Financial Report Rate Setting Statement in excess of the estimated surplus funds brought forward amount identified in the following years Annual Budget Rate Setting Statement to subsequently be used to reduce the need to raise rates in future years or to meet any budget shortfalls identified during the mid-year or other budget reviews.			
Opening Balance 1 July 2015	1,344,523	1,375,941	-
Amount set aside during the year	2,009,069	-	1,316,790
Amount set aside during the year - Investment Earnings	39,059	4,289	27,733
Amount used during the year	(1,190,819)	(1,190,819)	-
Closing Balance 30 June 2016	2,201,832	189,411	1,344,523

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

12. RESERVES

	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Cash & Investment Backed Reserves			
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 2015	381,840	433,036	219,254
Amount set aside during the year	330,000	330,000	330,000
Amount set aside during the year - Investment Earnings	13,701	12,948	12,398
Amount used during the year	(286,854)	(364,100)	(179,812)
Closing Balance 30 June 2016	438,687	411,884	381,840
Refuse Bins Reserve			
To be used for the purchase and replacement of domestic refuse bins.			
Opening Balance 1 July 2015	1,398,643	1,270,784	1,146,153
Amount set aside during the year	397,622	200,000	200,000
Amount set aside during the year - Investment Earnings	52,648	41,150	52,490
Amount used during the year	(163,244)	(207,500)	-
Closing Balance 30 June 2016	1,685,669	1,304,434	1,398,643
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 refuse 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 2015	5,885,196	4,552,357	4,675,842
Amount set aside during the year	2,727,211	-	1,081,856
Amount set aside during the year - Investment Earnings	276,503	148,326	217,836
Amount used during the year	(35,924)	-	(90,338)
Closing Balance 30 June 2016	8,852,986	4,700,683	5,885,196
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 2015	4,654,781	5,318,225	4,882,394
Amount set aside during the year	483,730	75,000	625,670
Amount set aside during the year - Investment Earnings	157,309	175,833	196,717
Amount used during the year	(259,146)	-	(1,050,000)
Closing Balance 30 June 2016	5,036,674	5,569,058	4,654,781
Special Projects Reserve			
To be used to fund costs associated with City of Melville Council Elections, infrastructure asset condition surveys, asset valuations and gross rental value revaluations and strategic planning projects.			
Opening Balance 1 July 2015	-	-	-
Amount set aside during the year	980,000	980,000	-
Amount set aside during the year - Investment Earnings	19,451	3,756	-
Amount used during the year	(376,664)	(869,665)	-
Closing Balance 30 June 2016	622,787	114,091	-

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

12. RESERVES

	2015/16 Actual \$	2015/16 Budget \$	2014/15 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 2015	6,502,662	7,987,000	6,138,958
Amount set aside during the year	7,659,651	-	6,502,662
Amount used during the year	(6,502,662)	(7,987,000)	(6,138,958)
Closing Balance 30 June 2016	7,659,651	-	6,502,662
Summary Reserves			
Opening Balance 1 July 2015	95,757,355	87,200,269	83,077,300
Amount set aside during the year	44,952,282	24,749,628	33,879,647
Amount set aside during the year - Investment Earnings	3,235,836	2,499,999	3,413,806
Amount used during the year	(31,752,163)	(35,114,153)	(24,613,397)
Closing Balance 30 June 2016	112,193,310	79,335,743	95,757,355
Net Reserves	112,193,310	79,335,743	95,757,355

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

12(a). Asset Revaluation Surplus

Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:		2015/16	2014/15
		\$	\$
Land and Buildings			
Land - Opening Balance		512,041,967	138,117,340
Revaluation Increment		-	373,924,627
Revaluation (Decrement)		-	-
Closing Balance		512,041,967	512,041,967
Buildings - Opening Balance		120,528,332	65,174,901
Revaluation Increment		-	55,353,431
Revaluation (Decrement)		-	-
Closing Balance		120,528,332	120,528,332
Land Vested In & Under Council Control		5,138,491	484,000
Revaluation Increment		-	4,654,491
Revaluation (Decrement)		-	-
Closing Balance		5,138,491	5,138,491
Total Land and Buildings		637,708,790	637,708,790
Plant and Equipment			
Artworks - Opening Balance		146,087	146,087
Revaluation Increment		2,075,004	-
Revaluation (Decrement)		-	-
Closing Balance		2,221,091	146,087
Computer Equipment - Opening Balance		289,706	289,706
Revaluation Increment		103,221	-
Revaluation (Decrement)		-	-
Closing Balance		392,927	289,706
Electronic Equipment - Opening Balance		30,211	30,211
Revaluation Increment		17,988	-
Revaluation (Decrement)		-	-
Closing Balance		48,199	30,211
Furniture & Fittings - Opening Balance		365,169	365,169
Revaluation Increment (prior period adjustment)		-	-
Revaluation (Decrement)		(131,817)	-
Closing Balance		233,352	365,169
Plant & Equipment - Opening Balance		11,111,930	11,111,930
Revaluation Increment		2,999,473	-
Revaluation (Decrement)		-	-
Closing Balance		14,111,403	11,111,930
Mobile Plant - Opening Balance		875,130	875,130
Revaluation Increment (prior period adjustment)		328,317	-
Revaluation (Decrement)		-	-
Closing Balance		1,203,447	875,130
Total Plant and Equipment		18,210,419	12,818,233

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

12(a). Asset Revaluation Surplus

Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:		2015/16	2014/15
		\$	\$
Infrastructure			
Drains - Opening Balance		43,622,581	32,498,432
Revaluation Increment		-	11,124,149
Revaluation (Decrement)		(2,720,096)	-
Closing Balance		40,902,485	43,622,581
Footpaths - Opening Balance		51,291,084	51,214,878
Revaluation Increment		-	76,206
Revaluation (Decrement)		(3,407,765)	-
Closing Balance		47,883,319	51,291,084
Irrigation - Opening Balance		2,076,717	2,076,717
Revaluation Increment		-	-
Revaluation (Decrement)		-	-
Closing Balance		2,076,717	2,076,717
Total Infrastructure		90,862,521	96,990,382
Infrastructure - Other			
Parks - Opening Balance		(1,372,958)	(1,372,958)
Revaluation Increment		-	-
Revaluation (Decrement)		-	-
Closing Balance		(1,372,958)	(1,372,958)
Roads - Opening Balance		37,324,151	20,777,855
Revaluation Increment		44,301,806	16,546,296
Revaluation (Decrement)		-	-
Closing Balance		81,625,957	37,324,151
Street Furniture - Opening Balance		1,838,645	1,838,645
Revaluation Increment		-	-
Revaluation (Decrement)		-	-
Closing Balance		1,838,645	1,838,645
Total Infrastructure - Other		82,091,644	37,789,838
Reserves - Asset Revaluation		828,873,374	785,307,244

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

13. TRUST ITEMS

(a) TRUST FUNDS

Funds held at balance date over which the City has no control and which are not included in the Statement of Financial Position as are follows:

	2015/16 Actual \$	2014/15 Actual \$
Deposits Held		
Balance at beginning of reporting period	221,875	4,419,974
Amounts Received during reporting period	124,069	1,295,603
Amounts Paid during reporting period	(64,000)	(1,190,136)
Balance at end of reporting period	281,944	4,525,441
Retention Monies		
Balance at beginning of reporting period	-	-
Amounts Received during reporting period	25,643	-
Amounts Paid during reporting period	-	-
Balance at end of reporting period	25,643	-
Prepaid Private Works		
Balance at beginning of reporting period	291,531	291,531
Amounts Received during reporting period	-	-
Amounts Paid during reporting period	-	-
Balance at end of reporting period	291,531	291,531
Miscellaneous Trusts (Election Nomination, Rates and Charges, etc.)		
Balance at beginning of reporting period	-	39,217
Amounts Received during reporting period	-	91,920
Amounts Paid during reporting period	-	(9,000)
Balance at end of reporting period	-	122,137
BCITF and Builders Registration Levy		
Balance at beginning of reporting period	156,878	161,091
Amounts Received during reporting period	886,021	905,830
Amounts Paid during reporting period	(992,445)	(910,043)
Balance at end of reporting period	50,454	156,878
Total Trust Items	649,572	5,095,987

Note:

The significant reduction in the amount shown in trust is the result of a change in disclosure of restricted funds.

The 2015/16 amount shows only those funds held in a trust bank account.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

14. STATEMENT OF RATING INFORMATION

ACTUAL 2015-2016									
	GENERAL DIFFERENTIAL RATE				MINIMUM PAYMENT				
	No. of Prop.	Rateable value \$	Rate in \$ Cents	Rate Yield \$	No.	Minimums Rateable Value \$	Min. \$	Yield \$	TOTAL \$
General Rate GRV									
Residential - Improved	28,074	813,777,541	6.106000	49,688,639	11,273	183,486,457	1,204.00	13,572,692	63,261,331
Residential - Unimproved	870	21,318,650	6.878000	1,466,274	185	1,680,563	768.00	142,080	1,608,353
	28,944	835,096,191		51,154,912	11,458	185,167,020		13,714,772	64,869,684
Commercial - Improved	1,456	245,021,445	6.346000	15,549,025	186	1,455,693	934.00	173,724	15,722,749
Commercial - Unimproved	19	1,360,498	6.346000	86,337	2	15,200	934.00	1,868	88,205
Strata Units	-	-	6.346000	-	57	110,629	934.00	53,238	53,238
	1,475	246,381,943		15,635,362	245	1,581,522		228,830	15,864,192
									80,733,876
Storage Unit Concession									(26,619)
Interim Rates									275,318
Interim Residential									259,403
Interim Commercial									64,611
Interim Commercial Vacant									951,267
Rates received in advance*									
Total Amount Raised from Rates as per Rate Setting Statement									82,257,856
Instalment Administration Fee									185,457
Instalment Interest									287,637
Late Payment Interest									257,287
									730,381
GRAND TOTAL	30,419	1,081,478,134		66,790,274	11,703	186,748,542		13,943,602	82,988,236
Actual 2015/2016									
Property Type	Rate Assessments		Rateable Value		Rate Yield		Average Rate		
	#	%	\$	%	\$	%	\$		
Residential	40,402	95.92%	1,020,263,211	80.45%	64,869,684	80.35%	1,606		
Commercial	1,720	4.08%	247,963,465	19.55%	15,864,192	19.65%	9,219		
	42,122	100.00%	\$1,268,226,676	100.00%	\$80,733,876	100.00%			

RATES RECEIVED IN ADVANCE

Rates received in advance for the amount of \$951,267 is recognised as rates income as per AASB 1004, paragraph 30.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

14. STATEMENT OF RATING INFORMATION

BUDGET 2015-2016									
	GENERAL DIFFERENTIAL RATE				MINIMUM PAYMENT				
	No. of Prop.	Rateable value \$	Rate in \$ Cents	Rate Yield \$	No.	Minimums Rateable Value \$	Min. \$	Rate Yield \$	TOTAL \$
General Rate GRV									
Residential - Improved	28,016	811,581,850	6.106000	49,554,573	11,308	184,066,717.0	1,204.00	13,614,832.00	63,169,405
Residential - Unimproved	865	21,474,770	6.878000	1,477,012	189	1,723,848	768.00	145,152	1,622,164
	28,881	833,056,620		51,031,585	11,497	185,790,565		13,759,984	64,791,569
Commercial - Improved	1,457	244,104,889	6.346000	15,490,860	186	1,455,693	934.00	173,724	15,664,584
Commercial - Unimproved	20	1,448,298	6.346000	91,909	2	15,200	934.00	1,868	93,777
Strata Units	-	-	6.346000	-	57	110,629	934.00	53,238	53,238
	1,477	245,553,187		15,582,769	245	1,581,522		228,830	15,811,599
									80,603,168
Storage Unit Concession									(26,619)
Interim Rates									51,103
Interim Residential									
Total Amount Raised from Rates as per Rate Setting Statement									80,627,652
Instalment Administration Fee									173,250
Instalment Interest									232,300
Late payment Interest									235,000
									640,550
GRAND TOTAL	30,358	1,078,609,807		66,614,354	11,742	187,372,087		13,988,814	81,268,202

Budget 2015/2016							
Property Type	Rate Assessments		Rateable Value		Rate Yield		Average Rate
	#	%	\$	%	\$	%	\$
Residential	40,378	95.91%	1,018,847,185	80.48%	64,791,569	80.38%	1,605
Commercial	1,722	4.09%	247,134,709	19.52%	15,811,599	19.62%	9,182
	42,100	100.00%	\$1,265,981,894	100.00%	\$80,603,168	100.00%	

DIFFERENTIAL RATING

A differential rate loading of 12.65 per cent above the residential improved land rate was applied to residential unimproved (vacant) land. A differential rate loading of 3.94 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 6.176 cents with a minimum rate of \$1,191.00. This rate is referred to as the standard rate.

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

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

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

(a) Discounts

Eligible pensioners and Seniors receive various discounts on fees & charges for the City's recreation facilities.

(b) Early Payment Incentive

Ratepayers who paid their rates in full by the early payment date of 12 August 2015 were automatically eligible to win a Westpac Reward Saver Account worth \$3,000. Those who signed up for email rates or registered for Bpay View or MyPost Digital Mailbox by 26 August 2015 were automatically eligible to win one of 5 prizes sponsored by various organisations listed below.

Prizes offered as early payment incentives

	\$
Major Prize - Westpac Banking Corporation Bonus Saver Account	3,000
Minor Prize - City of Melville Gym Memberships	870
Minor Prize - Matters of Taste Cooking Classes	594
Minor Prize - Stockland Bull Creek Shopping Centre Voucher	500
Minor Prize - Le Beau Day Spa Voucher	500
Total	5,464

(c) Concessions

A concession was granted to strata titled storage units of 18^m² or smaller, whereby the minimum rate charged was \$467.00. The value of this concession was \$26,619.00. The concession was granted due to the size and Gross Rental Value (GRV less than \$956) of the storage units. A 100% concession from Rates was granted to the Melville Glades Golf Club. The value of this concession was \$17,205.30. The City grant a concession to the Club, as the club maintains the grounds at no cost to the City.

16. INFORMATION ABOUT INTEREST PAYMENTS AND ADDITIONAL CHARGES

	Interest Rate %	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Overdue Unpaid rates	8	257,287	235,000	276,184
Rates Instalment Plan	4	287,637	232,300	252,596
Charges on Instalment Plan	4	185,457	173,250	165,029

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 had not taken advantage of the instalment option given in the rate notice, interest is accrued on rates or charges that remained unpaid after 35 days from the issue date of original rate notice. Eligible pensioners are exempt.

Where a ratepayer elected the instalment option, interest accrued on any instalment that remained unpaid after the due date of the instalment and continued to accrue until the instalment was paid. The following three payment options were provided to ratepayers:

Option 1 - Full amount of the rate notice payable by 12 August 2015 to qualify for the early payment incentive prizes.

Option 2 - Full amount of the rate notice payable by 26 August 2015.

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

1st Instalment	Due	26 August 2015
2nd Instalment	Due	26 October 2015
3rd Instalment	Due	4 January 2016
4th Instalment	Due	4 March 2016

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

17. FEES & CHARGES

Program	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Governance	29,607	29,606	29,027
General Purpose Funding	272,572	410,300	-
Law, Order and Public Safety	334,993	245,400	255,329
Health	328,755	262,233	279,637
Education and Welfare	78,561	73,364	75,697
Housing	64,371	55,312	52,179
Community Amenities	3,379,311	3,002,937	3,252,789
Recreation and Culture	7,239,521	7,692,556	7,519,508
Transport	1,022,881	876,500	775,219
Economic Services	2,668,887	2,692,700	2,620,966
Other Property and Services	138,448	35,500	45,926
Total	15,557,906	15,376,408	14,906,277

Swimming Pool Inspections	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Revenue			
Building Application Fees	(35)	-	34
Swimming Pool Inspection Fees	325,286	327,634	315,714
Other Fees	2,050	2,300	2,130
	327,301	329,934	317,878
Expenses			
Employee Costs	(146,137)	(155,790)	(142,474)
Internal Allocations	(201,036)	(201,443)	(197,823)
Materials & Contracts	(352)	(600)	(366)
	(347,525)	(357,833)	(340,663)
Net Result	(20,224)	(27,899)	(22,785)
Amount (set aside) / used	20,224	-	22,785
Net Swimming Pool - Surplus / (Deficit) #	-	(27,899)	(0)

* Surplus funds are transferred to the Private Swimming Pool Inspection Fee Reserve to offset future expenditure.

Section 6.38 of the Local Government Act 1995 authorises the City 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.

Regulation 53(2) of the Building Regulations 2012 prescribes the provision of swimming pool inspection as an allowable charge.

18. SERVICE CHARGES

	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Community Security	2,225,503	2,215,764	2,205,135
Underground Power	3,176,071	3,200,000	3,948,449
	5,401,574	5,415,764	6,153,584

Community Security	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Revenue			
Call Out/Alarm Response Fees	1,500	-	2,236
City of Melville Security Patrol Fees (\$53.00 per property)	2,221,568	2,215,764	2,202,719
Other Fees	2,435	-	180
	2,225,503	2,215,764	2,205,135
Expenses			
Employee Costs	(1,668,966)	(1,618,664)	(1,585,115)
Insurance	(3,801)	(2,000)	-
Internal Allocations	(541,630)	(499,519)	(540,701)
Internal Recovery	(50,232)	(48,181)	(44,009)
Materials & Contracts	(22,134)	(45,400)	(30,571)
Other Expenditure	(818)	(2,000)	(909)
	(2,287,580)	(2,215,764)	(2,201,305)
Amount (set aside) / used	62,077	-	(3,830)
Net Community Security - Surplus / (Deficit) *	-	-	0

* 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.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

Underground Power	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
OPERATING INCOME			
Melville South Underground Power	3,176,071	3,200,000	-
Ardross East Underground Power	-	-	3,948,449
Total Operating Income	3,176,071	3,200,000	3,948,449
OPERATING EXPENDITURE			
Western Power - Melville South Underground Power Cash Calls	(3,200,000)	(3,200,000)	-
Western Power - Ardross East Underground Power Cash Calls	(650,000)	-	(3,262,498)
Total Operating Expenditure	(3,850,000)	(3,200,000)	(3,262,498)
Amount (set aside) / used	650,000	-	(685,951)
Net Underground Power - Surplus / (Deficit)	(23,929)	-	-

19. GRANT REVENUE

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

By Nature or Type:	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Operating Grants, Subsidies and Contributions	2,215,270	3,644,291	5,562,989
Non-Operating Grants, Subsidies and Contributions	3,153,158	2,101,379	3,693,989
	5,368,428	5,745,670	9,256,978

By Program:	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Governance	10,905	-	905
General Purpose Funding	1,537,029	3,200,000	4,949,157
Law, Order, Public Safety	41,320	41,320	45,551
Health	32,273	60,000	4,472
Education & Welfare	134,102	112,488	446,345
Community Amenities	243,093	162,000	43,416
Recreation and Culture	298,344	46,371	280,358
Transport	3,028,433	150,052	3,282,790
Economic Services	21,068	1,966,379	21,981
Other Property and Services	21,861	7,060	182,003
	5,368,428	5,745,670	9,256,978

20. INFORMATION ABOUT FEES, ETC. TO COUNCIL MEMBERS

Description	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Sitting Fees - Mayor	45,900	45,000	46,900
Sitting Fees - Councillors	357,112	360,000	352,500
Conference and Training - Elected Members	13,506	61,750	41,208
Allowances - Mayor	86,700	85,000	85,000
Allowances - Deputy Mayor	18,027	21,250	21,250
Allowances - Councillors	61,324	85,585	60,396
Total	582,569	658,585	607,254

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

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2016

21. CALCULATION FOR SURPLUS (NET CURRENT ASSETS)

Composition of net current assets

	30 June 2016	30 June 2015
	\$	\$
Surplus/(Deficit) as per Rate Setting Statement	2,942,921	4,484,869
CURRENT ASSETS		
Cash and cash equivalents		
Restricted	112,193,310	95,757,355
Unrestricted	6,591,000	8,470,371
Receivables		
Rates outstanding	4,622,198	4,115,433
Sundry debtors	541,974	372,529
GST receivable	602,429	448,414
Accrued Income	4,303,927	2,145,602
Loans - Clubs and Community Groups	281,299	276,333
Inventories	107,784	124,721
Other assets - prepayments (prepaid expenses)	413,948	528,547
LESS: CURRENT LIABILITIES		
Trade & other payables		
Trade Creditors	(6,417,692)	(2,361,953)
Other Creditors	(300,000)	(500,000)
Accrued Salaries and Wages	(326,888)	(1,133,692)
Amounts Received in Advance	(10,419)	(757,730)
Provisions		
Provision for Annual Leave	(3,340,808)	(3,228,156)
Provision for Long Service Leave	(3,844,532)	(3,739,217)
Borrowings		
Loans - Clubs and Community Groups	(281,299)	(276,333)
Unadjusted net current assets	115,136,231	100,242,224
Adjustments		
Less: Reserves - Cash/Investment Backed	(112,193,310)	(95,757,355)
Adjusted net current assets - surplus/(deficit)	2,942,921	4,484,869
Note equals surplus/(deficit) as at 30 June carried forward in Rate Setting Statement.		

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

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.

	2015/16 Actual	2014/15 Actual
Contingent liability for additional Workers' Compensation Premium	\$ 3,667,490	\$ 5,639,075

Note sufficient funds for the payment of any expected claims in relation to this contingent liability are held in the Risk Management Reserve.

23. EMPLOYEE NUMBERS

	2015/16 No. of Employees	2014/15 No. of Employees
The number of full-time equivalent employees at balance sheet date	448	476

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 42.47 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 2016 is \$10,429,331.

	2015/16 Actual \$ (audited)	2014/15 Actual \$ (audited)
The City's share in the net assets of the SMRC (excluding equity)	6,037,050	7,369,211
Equity Ratio	42.14%	42.47%
Represented by Share of Joint Venture entity's Financial Position:		
Current Assets	9,137,425	9,010,706
Non Current Assets	21,919,315	27,985,155
Total Assets	31,056,740	36,995,861
Current Liabilities	5,326,262	5,362,869
Non Current Liabilities	7,090,420	8,647,294
Total Liabilities	12,416,682	14,010,163
LESS: City of Melville's share of SMRC Loan Liability	10,429,331	11,992,756
LESS: City of Melville's share of City of Canning SMRC Loan Liability	2,173,677	2,495,245
Net Assets	6,037,050	8,497,697
Net Increase / (Decrease) in Equity - SMRC Joint Venture	(2,460,647)	809,303

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

25. MAJOR LAND TRANSACTIONS

There are no major land transactions.

26. TOTAL ASSETS CLASSIFIED BY PROGRAM AS PER STATEMENT OF FINANCIAL POSITION

	2015/16 Actual \$	2014/15 Actual \$
Governance	456,945,127	437,622,366
Health	-	14,050
Education & Welfare	420,523	441,487
Community Amenities	51,939,346	10,135,231
Recreation and Culture	99,771,977	96,717,921
Economic Services	3,302,896	542,193
Other Property and Services	644,117,603	643,246,245
	1,256,497,472	1,188,719,493

27. 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:

	2015/16 Actual \$	2014/15 Actual \$
Cash and Cash Equivalents	118,784,310	104,227,726
Net Cash at End of Year	118,784,310	104,227,726

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

Net Result*	22,008,327	37,401,156
*Note equals Net Result in Statement of Comprehensive Income		
Add / (Less) Non-Cash / Non-Operating Items		
Depreciation	13,872,835	15,431,700
(Profit) / Loss on Sale of Assets	283,730	(53,560)
Grants & Contributions for the Development of Assets	(3,153,158)	(3,693,989)
Investments Unrealised (Gains) / Losses	(3,565,878)	-
(Increase) / Decrease in Equity - SMRC Joint Venture	2,460,647	(809,303)
Impairment Loss on Revaluation of Property, Plant & Equipment	-	-
Revaluation of Investment Properties	-	(14,167,779)
Changes in Assets & Liabilities During the Financial Year:		
(Increase)/Decrease in Accrued Income	(2,158,325)	500,656
(Increase)/Decrease in Accrued Expenses	(806,803)	(230,648)
(Increase)/Decrease in Accrued Income Payable	(747,311)	(304,889)
(Increase)/Decrease in Current Receivables	(835,191)	(1,290,890)
(Increase)/Decrease in Non-Current Receivables	306,668	1,312,572
(Increase)/Decrease in Work in Progress	(65,349)	-
Increase/(Decrease) in Current Creditors	3,860,705	(4,184,222)
Increase/(Decrease) in Non-Current Creditors	(281,045)	(1,031,604)
(Increase)/Decrease in Inventory	16,937	2,628
Increase/(Decrease) in Provision for Employee Entitlements	177,977	614,986
(Increase)/Decrease in Prepayments	114,599	64,926
Net Cash Provided by Operating Activities	31,489,365	29,561,740

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

28. FINANCIAL RATIOS

	2015/16	2014/15	2013/14
Financial Ratios			
Current Ratio	1.46	1.70	1.22
Asset Consumption Ratio	0.66	0.68	0.62
Asset Renewal Funding Ratio	1.04	1.00	1.00
Asset Sustainability Ratio	1.35	1.45	1.20
Debt Service Cover Ratio	66.05	76.16	44.22
Operating Surplus Ratio	0.17	0.18	0.12
Own Source Revenue Coverage Ratio	1.10	1.14	1.08

Current Ratio

Measures the short term (unrestricted) liquidity.

Ratio	Target	Actual	Comments
Dept. of Local Government Advanced Benchmark	1.0 Higher is better	1.46	The City is in a solvent position and has the ability to meet its liabilities (obligations) as and when they fall due out of unrestricted funds.

Current assets minus restricted current assets

Current liabilities minus restricted liabilities associated with restricted assets

$\$129.52 - \$112.19 = \$17.33 \text{ million}$

$\$14.39 - \$2.53 = \$11.86 \text{ million}$

[Numbers taken from the Statement of Financial Position and Cash and Cash Equivalents
Notes 4, 9 and 21]

Asset Consumption Ratio

Measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.

Ratio	Target	Actual	Comments
Dept. of Local Government Advanced Benchmark	0.6 Higher is better	0.66	The City is investing in asset renewal to a level where a high percentage of the depreciable assets remain in an 'as new' condition.

Depreciated Replacement Cost of Assets

Current Replacement Cost of Depreciable Assets

$\$535.14 \text{ million}$

$\$808.26 \text{ million}$

[Numbers for Depreciated Replacement Cost of Assets taken from Note 10 - Property, Plant & Equipment]

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

28. FINANCIAL RATIOS (continued)

Asset Renewal Funding Ratio

Measures the extent of investment in asset renewal to the degree that offsets the current consumption of its assets (1.00) and provides for the effect of inflation.

Ratio	Target	Actual	Comments
Dept. of Local Government Advanced Benchmark	0.95 Higher is better	1.04	The City is investing in asset renewal that offsets the current consumption of its assets (1.00) and provides for the effect of inflation.

NPV of Planned Capital Renewals Over 10 years

NPV of Required Capital Expenditure Over 10 Years

\$234.67 million

\$224.96 million

[Numbers taken from the Long Term Financial Plan]

Asset Sustainability Ratio

Measures whether assets are being replaced/renewed at the rate they are wearing out.

Ratio	Target	Actual	Comments
Dept. of Local Government Advanced Benchmark	1.1 Higher is better	1.35	The City is investing in asset renewal/replacement to the degree that offsets the current consumption of its assets and provides for the effect of inflation.

Capital renewal and replacement expenditure

Depreciation Expense

\$18.78 million

\$13.87 million

[Numbers taken from the Rate Setting Statement]

Debt Service Cover Ratio

Measures the ability to service debt out of its uncommitted or general purpose fund available for its operations.

Ratio	Target	Actual	Comments
Dept. of Local Government Advanced Benchmark	5.0 Higher is better	66.05	The City has the ability to pay for its debts when they are due.

Annual Operating Surplus before interest and depreciation

Principal and Interest

\$32.93 million

\$0.498 million

[Numbers taken from Statement of Comprehensive Income by Nature & Type]

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

28. FINANCIAL RATIOS (continued)

Operating Surplus Ratio

Measures the ability to cover its operational costs and have revenues available for capital funding or other purposes.

Ratio	Target	Actual	Comments
Dept. of Local Government Advanced Benchmark	0.15 Higher is better	0.17	The City has the ability to provide a strong operating surplus which will give flexibility in relation to future operational costs and capital funding.

Operating Revenue minus Operating Expenses

Own Source Operating Revenue

$\$119.83 - \$100.97 = \$18.86$ million

$\$111.27$ million

[Numbers taken from Statement of Comprehensive Income by Nature & Type]

Own Source Revenue Coverage Ratio

Measures the ability to cover operating expenses from own source revenue.

Ratio	Target	Actual	Comments
Dept. of Local Government Advanced Benchmark	0.9 Higher is better	1.10	The City has the ability to cover its own operating expenses from its own source revenue.

Own Source Operating Revenue

Operating Expense

$\$111.27$ million

$\$100.97$ million

[Numbers taken from Statement of Comprehensive Income by Nature & Type]

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

29. FINANCIAL RISK MANAGEMENT

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

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

Financial risk management is carried out by the Finance Service Area under policies approved by the Council and the Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and the Trustees Act 1962 (Part 3).

	Carrying Value		Fair Value	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	118,784,310	104,227,726	118,784,310	104,227,726
Receivables	14,601,277	12,029,028	14,601,277	12,029,028
Available-for-sale financial assets	-	0	-	0
	133,385,587	116,256,754	133,385,587	116,256,754
Financial Liabilities				
Payables	7,279,725	4,959,669	7,279,725	4,959,669
Borrowings	2,775,681	3,070,194	2,410,350	2,536,588
	10,055,407	8,029,863	9,690,075	7,496,257

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to be 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.

(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.

Cash and investments are subject to interest rate risk – the risk that movements in interest rates could affect returns. The weighted average interest rate for 2015/16 was 2.819% (3.492% for 2014/5).

The City manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

29. FINANCIAL RISK MANAGEMENT (continued)

(a) Cash and Cash Equivalents (continued)

	30-Jun-16	30-Jun-15
	\$	\$
Impact of a 1% (+) movement in interest rates on cash and investments:		
- Equity	1,187,843	1,042,277
- Income Statement	1,187,843	1,042,277

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.

(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 property rates and services charges 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.

	30-Jun-16	30-Jun-15
Percentage of Rates Outstanding to Rates Revenue excluding Pensioner Deferred Rates	6%	5%
Percentage of Rates Outstanding to Rates Revenue including Pensioner Deferred Rates	7%	7%
Percentage of Other Receivables		
- Current	87%	81%
- Overdue	13%	19%

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

29. FINANCIAL RISK MANAGEMENT (continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2016</u>					
Payables	7,279,725	-	-	7,279,725	7,279,725
Borrowings	444,954	2,003,925	1,272,851	3,721,730	2,775,682
	<u>7,724,680</u>	<u>2,003,925</u>	<u>1,272,851</u>	<u>11,001,455</u>	<u>10,055,408</u>
<u>2015</u>					
Payables	4,959,669	-	-	4,959,669	4,959,669
Borrowings	457,775	2,207,109	1,535,514	4,200,398	3,070,194
	<u>5,417,444</u>	<u>2,207,109</u>	<u>1,535,514</u>	<u>9,160,067</u>	<u>8,029,863</u>

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

29. FINANCIAL RISK MANAGEMENT (continued)

(c) Payables (continued)

Borrowings (continued)

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

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

	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year Ended 30 June 2016</u>								
Borrowings								
Fixed Rate								
Debentures	281,299	283,199	309,369	305,569	368,043	1,228,203	2,775,682	5.61%
Weighted Average Effective Interest Rate	5.90%	5.51%	5.84%	6.21%	5.79%	5.48%		
<u>Year Ended 30 June 2015</u>								
Borrowings								
Fixed Rate								
Debentures	276,333	284,273	286,312	312,629	308,981	1,601,666	3,070,194	5.63%
Weighted Average Effective Interest Rate	5.91%	5.89%	5.51%	5.83%	6.20%	5.51%		

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

Note 30: Fair Value Measurements

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

- Land and Buildings
- Plant and Equipment (including Plant and Equipment, Electronic Equipment, Furniture and Fittings, Computer Equipment, Property Improvements, Mobile Plant and Artworks)
- Infrastructure (including Roads, Drains and Footpaths)
- Infrastructure Other (including Parks, Street Furniture and Irrigation)
- Investment Properties

Valuation processes

The City of Melville engages external, independent and qualified valuers to determine the fair value of the entities land, buildings, infrastructure and major plant on a regular basis.

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.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period . For descriptions of what constitutes level 1, 2 and 3 fair values – see note 1(i)

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

Note 30: Fair Value Measurements (continued)

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of last Valuation	Inputs used
Land and Buildings					
Land - Freehold	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	June 2015	Price per hectare / market borrowing rate
Land Vested in & Under City's Control	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuer	June 2015	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuer	June 2015	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Plant and Equipment					
Plant and Equipment	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Electronic Equipment	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2016	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Furniture and Equipment	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2016	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Computer Equipment	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2016	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Property Improvement	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Mobile Plant	2	Cost approach using depreciated replacement cost	Independent registered valuer	June 2016	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Artworks	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2015	Market valuation by Art Valuer

CITY OF MELVILLE
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FOR THE YEAR ENDED 30TH JUNE 2016

Infrastructure

Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Independent valuation	June 2016	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Drains	3	Cost approach using depreciated replacement cost	Independent valuation	June 2016	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpath	3	Cost approach using depreciated replacement cost	Independent valuation	June 2016	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

Infrastructure - Other

Infrastructure - Parks	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Street Furniture	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Irrigation Systems	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

Investment Property

Land - Freehold	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	June 2015 and June 2016	Price per hectare / market borrowing rate
Buildings	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuer	June 2015 and June 2016	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

CITY OF MELVILLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

Note 31: Leasing Commitments

Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

	2016 \$	2015 \$
Payable:		
- not later than one year	318,054	237,204
- later than one year but not later than five years	217,437	138,369
- later than five years	-	
	535,491	375,573



City of
Melville

City of Melville

10 Almondbury Road, Booragoon WA 6154

PO Box Locked Bag 1 Booragoon WA 6954

1300 635 845 | 08 9364 0666

www.melvillecity.com.au

National Relay Service (hearing/speech impaired)

133 677 (TTY) | 1300 555 727 (Speech relay)

www.relayservice.com.au