



# TOWN OF EAST FREMANTLE

## FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2015

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**TOWN OF EAST FREMANTLE**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED 30TH JUNE 2015**

**LOCAL GOVERNMENT ACT 1995  
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Town of East Fremantle being the annual financial report and other information for the financial year ended 30th June 2015 are in my opinion properly drawn up to present fairly the financial position of the Town of East Fremantle at 30th June 2015 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

9

day of

NOVEMBER 2015

  
\_\_\_\_\_  
Gary Clark  
A/Chief Executive Officer

**TOWN OF EAST FREMANTLE**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

|   | NOTE | 2015<br>\$               | 2015<br>Budget<br>\$  | 2014<br>\$              |
|---|------|--------------------------|-----------------------|-------------------------|
| <b>Revenue</b>  |      |                          |                       |                         |
| Rates   | 22   | 6,383,946                | 6,359,000             | 6,044,466               |
| Operating Grants, Subsidies and Contributions                                   | 28   | 1,252,806                | 1,110,000             | 916,865                 |
| Fees and Charges  | 27   | 1,307,954                | 1,222,400             | 1,277,771               |
| Interest Earnings   | 2(a) | 180,179                  | 178,900               | 274,156                 |
| Other Revenue   |      | 69,094                   | 81,300                | 270,360                 |
|   |      | <u>9,193,979</u>         | <u>8,951,600</u>      | <u>8,783,618</u>        |
| <b>Expenses</b>   |      |                          |                       |                         |
| Employee Costs  |      | (3,186,369)              | (2,866,900)           | (2,772,272)             |
| Materials and Contracts   |      | (3,460,481)              | (3,837,050)           | (3,465,493)             |
| Utility Charges   |      | (380,908)                | (371,950)             | (356,435)               |
| Depreciation on Non-Current Assets  | 2(a) | (999,143)                | (945,600)             | (947,149)               |
| Interest Expenses   | 2(a) | (2,205)                  | (2,230)               | (9,260)                 |
| Insurance Expenses  |      | (287,525)                | (299,100)             | (287,094)               |
| Other Expenditure   |      | (193,747)                | (150,200)             | (278,441)               |
|   |      | <u>(8,510,378)</u>       | <u>(8,473,030)</u>    | <u>(8,116,144)</u>      |
|   |      | 683,601                  | 478,570               | 667,474                 |
|   |      |                          |                       |                         |
| Non-Operating Grants, Subsidies and Contributions                               | 28   | 30,000                   | 136,000               | 97,330                  |
| Fair value adjustments to financial assets at fair value through profit or loss |      |                          |                       |                         |
| Profit on Asset Disposals   | 20   | 19,673                   | 16,000                |                         |
| Loss on Asset Disposal  | 20   | (2,191)                  | 0                     | (8,954)                 |
|   |      | <u>731,083</u>           | <u>630,570</u>        | <u>755,850</u>          |
| <b>Net Result</b>   |      |                          |                       |                         |
| <b>Other Comprehensive Income</b>   |      |                          |                       |                         |
| Changes on revaluation of assets  |      | 39,679,361               | 0                     | 9,016,618               |
|   |      | <u>39,679,361</u>        | <u>0</u>              | <u>9,016,618</u>        |
| <b>Total Other Comprehensive Income</b>   |      | <u>39,679,361</u>        | <u>0</u>              | <u>9,016,618</u>        |
| <b>Total Comprehensive Income</b>   |      | <u><u>40,410,444</u></u> | <u><u>630,570</u></u> | <u><u>9,772,468</u></u> |

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

**TOWN OF EAST FREMANTLE  
STATEMENT OF COMPREHENSIVE INCOME  
BY PROGRAM  
FOR THE YEAR ENDED 30TH JUNE 2015**

|  | NOTE | 2015<br>\$                      | 2015<br>Budget<br>\$         | 2014<br>\$                     |
|--|------|---------------------------------|------------------------------|--------------------------------|
| <b>Revenue</b>   |      |                                 |                              |                                |
| Governance   |      | 100,031                         | 67,200                       | 229,583                        |
| General Purpose Funding  |      | 6,994,519                       | 6,840,900                    | 6,444,611                      |
| Law, Order, Public Safety  |      | 32,542                          | 23,100                       | 31,185                         |
| Health   |      | 10,484                          | 10,600                       | 11,095                         |
| Education and Welfare  |      | 899,948                         | 862,700                      | 812,422                        |
| Housing  |      | 76,816                          | 81,600                       | 81,607                         |
| Community Amenities  |      | 181,520                         | 222,700                      | 224,471                        |
| Recreation and Culture   |      | 395,446                         | 346,100                      | 322,661                        |
| Transport  |      | 335,917                         | 303,600                      | 281,956                        |
| Economic Services  |      | 165,971                         | 162,000                      | 318,199                        |
| Other Property and Services  |      | 30,785                          | 31,100                       | 25,827                         |
|  | 2(b) | <u>9,223,979</u>                | <u>8,951,600</u>             | <u>8,783,617</u>               |
| <b>Expenses</b>  |      |                                 |                              |                                |
| Governance   |      | (760,063)                       | (803,300)                    | (687,325)                      |
| General Purpose Funding  |      | (68,797)                        | (66,400)                     | (101,730)                      |
| Law, Order, Public Safety  |      | (128,562)                       | (143,300)                    | (119,905)                      |
| Health   |      | (134,601)                       | (132,900)                    | (118,690)                      |
| Education and Welfare  |      | (1,128,849)                     | (1,101,600)                  | (1,002,614)                    |
| Housing  |      | (31,244)                        | (39,900)                     | (38,927)                       |
| Community Amenities  |      | (2,276,087)                     | (2,348,100)                  | (2,181,982)                    |
| Recreation and Culture   |      | (1,471,687)                     | (1,492,000)                  | (1,451,347)                    |
| Transport  |      | (2,179,008)                     | (2,125,000)                  | (2,088,329)                    |
| Economic Services  |      | (142,246)                       | (136,100)                    | (266,452)                      |
| Other Property and Services  |      | (187,029)                       | (82,200)                     | (49,583)                       |
|  | 2(b) | <u>(8,508,173)</u>              | <u>(8,470,800)</u>           | <u>(8,106,884)</u>             |
| <b>Finance Costs</b>   |      |                                 |                              |                                |
| Governance   |      | (1,378)                         | (1,390)                      | (3,133)                        |
| Community Amenities  |      | 0                               | 0                            | (397)                          |
| Recreation and Culture   |      | 0                               | 0                            | (1,759)                        |
| Transport  |      | (827)                           | (840)                        | (3,971)                        |
|  | 2(b) | <u>(2,205)</u>                  | <u>(2,230)</u>               | <u>(9,260)</u>                 |
| <b>Fair Value Adjustments to Financial Assets at Fair Value through Profit or Loss</b> |      |                                 |                              |                                |
| Other Property and Services  |      | 0                               | 0                            | 0                              |
| <b>Non-Operating Grants, Subsidies and Contributions</b>                               |      |                                 |                              |                                |
| Recreation and Culture   |      | 0                               | 0                            | 0                              |
| Transport  |      | 0                               | 136,000                      | 97,330                         |
|  |      | <u>0</u>                        | <u>136,000</u>               | <u>97,330</u>                  |
| <b>Profit/(Loss) on Disposal of Assets</b>   |      |                                 |                              |                                |
| Governance   |      | (2,191)                         | 0                            | (1,489)                        |
| Community Amenities  |      | 0                               | 0                            | (3,302)                        |
| Recreation and Culture   |      | 5,673                           | 2,000                        | (786)                          |
| Transport  |      | 14,000                          | 14,000                       | (3,376)                        |
|  |      | <u>17,482</u>                   | <u>16,000</u>                | <u>(8,953)</u>                 |
| <b>Net Result</b>  |      | <b>731,083</b>                  | <b>630,570</b>               | <b>755,850</b>                 |
| <b>Other Comprehensive Income</b>  |      |                                 |                              |                                |
| Changes on revaluation of assets   |      | 39,679,361                      | 0                            | 9,016,618                      |
| <b>Total Other Comprehensive Income</b>  |      | <u><b>39,679,361</b></u>        | <u><b>0</b></u>              | <u><b>9,016,618</b></u>        |
| <b>Total Comprehensive Income</b>  |      | <u><u><b>40,410,444</b></u></u> | <u><u><b>630,570</b></u></u> | <u><u><b>9,772,468</b></u></u> |

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

**TOWN OF EAST FREMANTLE  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2015**

|                                      | NOTE | 2015<br>\$        | 2014<br>\$        |
|--------------------------------------|------|-------------------|-------------------|
| <b>CURRENT ASSETS</b>                |      |                   |                   |
| Cash and Cash Equivalents            | 3    | 3,314,488         | 3,230,927         |
| Trade and Other Receivables          | 4    | <u>244,091</u>    | <u>219,928</u>    |
| <b>TOTAL CURRENT ASSETS</b>          |      | <u>3,558,579</u>  | <u>3,450,855</u>  |
| <b>NON-CURRENT ASSETS</b>            |      |                   |                   |
| Other Receivables                    | 4    | 83,622            | 77,589            |
| Property, Plant and Equipment        | 5    | 16,768,615        | 16,873,817        |
| Infrastructure                       | 6    | <u>55,668,000</u> | <u>15,067,399</u> |
| <b>TOTAL NON-CURRENT ASSETS</b>      |      | <u>72,520,237</u> | <u>32,018,805</u> |
| <b>TOTAL ASSETS</b>                  |      | <u>76,078,816</u> | <u>35,469,660</u> |
| <b>CURRENT LIABILITIES</b>           |      |                   |                   |
| Trade and Other Payables             | 8    | 861,443           | 445,828           |
| Long Term Borrowings                 | 9    | 0                 | 41,568            |
| Provisions                           | 10   | <u>641,946</u>    | <u>827,388</u>    |
| <b>TOTAL CURRENT LIABILITIES</b>     |      | <u>1,503,389</u>  | <u>1,314,784</u>  |
| <b>NON-CURRENT LIABILITIES</b>       |      |                   |                   |
| Long Term Borrowings                 | 9    | 0                 | 0                 |
| Provisions                           | 10   | <u>41,540</u>     | <u>31,433</u>     |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |      | <u>41,540</u>     | <u>31,433</u>     |
| <b>TOTAL LIABILITIES</b>             |      | <u>1,544,929</u>  | <u>1,346,217</u>  |
| <b>NET ASSETS</b>                    |      | <u>74,533,887</u> | <u>34,123,443</u> |
| <b>EQUITY</b>                        |      |                   |                   |
| Retained Surplus                     |      | 23,978,173        | 22,705,262        |
| Reserves - Cash Backed               | 11   | 1,859,735         | 2,401,563         |
| Revaluation Surplus                  | 12   | <u>48,695,979</u> | <u>9,016,618</u>  |
| <b>TOTAL EQUITY</b>                  |      | <u>74,533,887</u> | <u>34,123,443</u> |

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

**TOWN OF EAST FREMANTLE  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2015**

|  | NOTE | RETAINED<br>SURPLUS<br>\$ | RESERVES<br>CASH/<br>INVESTMENT<br>BACKED<br>\$ | REVALUATION<br>SURPLUS<br>\$ | TOTAL<br>EQUITY<br>\$ |
|--|------|---------------------------|---|------------------------------|-----------------------|
| Balance as at 1 July 2014                    |      | 22,065,993                | 2,284,982                                       | 0                            | 24,350,975            |
| Restated Balance                             |      | 22,065,993                | 2,284,982                                       | 0                            | 24,350,975            |
| Comprehensive Income                         |      |                           |   |                              |                       |
| Net Result                                   |      | 755,850                   | 0   | 0                            | 755,850               |
| Changes on Revaluation of Non-Current Assets | 12   | 0                         | 0   | 9,016,618                    | 9,016,618             |
| Total Comprehensive Income                   |      | 755,850                   | 0   | 9,016,618                    | 9,772,468             |
| Reserve Transfers                            |      | (116,581)                 | 116,581   | 0                            | 0                     |
| <b>Balance as at 30 June 2014</b>            |      | <b>22,705,262</b>         | <b>2,401,563</b>                                | <b>9,016,618</b>             | <b>34,123,443</b>     |
| Comprehensive Income                         |      |                           |   |                              |                       |
| Net Result                                   |      | 731,083                   | 0   | 0                            | 731,083               |
| Changes on Revaluation of Non-Current Assets | 12   | 0                         | 0   | 39,679,361                   | 39,679,361            |
| Total Other Comprehensive Income             |      | 731,083                   | 0   | 39,679,361                   | 40,410,444            |
| Reserve Transfers                            |      | 541,828                   | (541,828)                                       | 0                            | 0                     |
| <b>Balance as at 30 June 2015</b>            |      | <b>23,978,173</b>         | <b>1,859,735</b>                                | <b>48,695,979</b>            | <b>74,533,887</b>     |

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

**TOWN OF EAST FREMANTLE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2015**

|   | NOTE  | 2015<br>\$              | 2015<br>Budget<br>\$    | 2014<br>\$              |
|---|-------|-------------------------|-------------------------|-------------------------|
| <b>Cash Flows From Operating Activities</b>                 |       |                         |                         |                         |
| <b>Receipts</b>   |       |                         |                         |                         |
| Rates   |       | 6,362,532               | 6,359,000               | 6,055,491               |
| Operating Grants, Subsidies and Contributions               |       | 1,252,806               | 1,110,000               | 916,865                 |
| Fees and Charges  |       | 1,034,943               | 972,140                 | 824,217                 |
| Interest Earnings   |       | 180,179                 | 178,900                 | 274,156                 |
| Goods and Services Tax                                      |       | 473,623                 | 266,000                 | 438,949                 |
| Other Revenue   |       | 69,094                  | 81,300                  | 270,360                 |
|   |       | <u>9,373,177</u>        | <u>8,967,340</u>        | <u>8,780,038</u>        |
| <b>Payments</b>   |       |                         |                         |                         |
| Employee Costs  |       | (3,383,730)             | (2,866,900)             | (2,661,911)             |
| Materials and Contracts                                     |       | (3,078,652)             | (3,296,780)             | (3,305,559)             |
| Utility Charges   |       | (380,908)               | (371,950)               | (356,436)               |
| Insurance Expenses  |       | (287,525)               | (299,100)               | (287,094)               |
| Interest expenses   |       | (63,179)                | (2,230)                 | 19,392                  |
| Goods and Services Tax                                      |       | (92,608)                | (250,000)               | (142,187)               |
| Other Expenditure   |       | (193,747)               | (166,200)               | (278,441)               |
|   |       | <u>(7,480,349)</u>      | <u>(7,253,160)</u>      | <u>(7,012,236)</u>      |
| <b>Net Cash Provided By (Used In) Operating Activities</b>  | 13(b) | <u>1,892,828</u>        | <u>1,714,180</u>        | <u>1,767,802</u>        |
| <b>Cash Flows from Investing Activities</b>                 |       |                         |                         |                         |
| Payments for Purchase of Property, Plant & Equipment        |       | (461,375)               | (827,600)               | (491,985)               |
| Payments for Construction of Infrastructure                 |       | (1,375,274)             | (1,847,500)             | (989,417)               |
| Transfer of Trust Cash from Municipal Non-cash Contribution |       |                         |                         |                         |
| Non-Operating Grants, Subsidies and Contributions           |       | 30,000                  | 136,000                 | 97,330                  |
| Proceeds from Sale of Plant & Equipment                     |       | 38,950                  | 29,000                  | 33,861                  |
|   |       | <u>38,950</u>           | <u>29,000</u>           | <u>33,861</u>           |
| <b>Net Cash Provided By (Used In) Investing Activities</b>  |       | <u>(1,767,699)</u>      | <u>(2,510,100)</u>      | <u>(1,350,211)</u>      |
| <b>Cash Flows from Financing Activities</b>                 |       |                         |                         |                         |
| Repayment of Debentures                                     |       | (41,568)                | (41,570)                | (133,876)               |
| Proceeds from Self Supporting Loans                         |       | 0                       | 0                       | 2,494                   |
| Proceeds from New Debentures                                |       | 0                       | 0                       | 0                       |
|   |       | <u>0</u>                | <u>0</u>                | <u>0</u>                |
| <b>Net Cash Provided By (Used In) Financing Activities</b>  |       | <u>(41,568)</u>         | <u>(41,570)</u>         | <u>(131,382)</u>        |
| <b>Net Increase (Decrease) in Cash Held</b>                 |       | 83,561                  | (837,490)               | 286,209                 |
| Cash at Beginning of Year                                   |       | 3,230,927               | 2,864,390               | 2,944,718               |
| <b>Cash and Cash Equivalents at the End of the Year</b>     | 13(a) | <u><u>3,314,488</u></u> | <u><u>2,026,900</u></u> | <u><u>3,230,927</u></u> |

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

**TOWN OF EAST FREMANTLE  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2015**

|   | NOTE  | 2015<br>Actual<br>\$      | 2015<br>Budget<br>\$      | 2014<br>Actual<br>\$      |
|---|-------|---------------------------|---------------------------|---------------------------|
| <b>Revenue</b>  |       |                           |                           |                           |
| Governance  |       | 100,031                   | 67,200                    | 229,991                   |
| General Purpose Funding                               |       | 610,573                   | 481,900                   | 400,145                   |
| Law, Order, Public Safety                             |       | 32,543                    | 23,100                    | 31,185                    |
| Health  |       | 10,484                    | 10,600                    | 11,095                    |
| Education and Welfare                                 |       | 899,948                   | 862,700                   | 812,422                   |
| Housing   |       | 76,815                    | 81,600                    | 81,607                    |
| Community Amenities                                   |       | 181,520                   | 222,700                   | 224,471                   |
| Recreation and Culture                                |       | 401,119                   | 348,100                   | 322,661                   |
| Transport   |       | 349,917                   | 453,600                   | 379,286                   |
| Economic Services                                     |       | 165,971                   | 162,000                   | 318,199                   |
| Other Property and Services                           |       | 30,785                    | 31,100                    | 25,827                    |
|   |       | <u>2,859,706</u>          | <u>2,744,600</u>          | <u>2,836,889</u>          |
| <b>Expenses</b>                                       |       |                           |                           |                           |
| Governance  |       | (763,633)                 | (804,690)                 | (692,355)                 |
| General Purpose Funding                               |       | (68,797)                  | (66,400)                  | (101,730)                 |
| Law, Order, Public Safety                             |       | (128,562)                 | (143,300)                 | (119,905)                 |
| Health  |       | (134,601)                 | (132,900)                 | (118,690)                 |
| Education and Welfare                                 |       | (1,128,849)               | (1,101,600)               | (1,002,614)               |
| Housing   |       | (31,244)                  | (39,900)                  | (38,927)                  |
| Community Amenities                                   |       | (2,276,086)               | (2,348,100)               | (2,185,681)               |
| Recreation and Culture                                |       | (1,471,688)               | (1,492,000)               | (1,453,892)               |
| Transport   |       | (2,179,834)               | (2,125,840)               | (2,095,676)               |
| Economic Services                                     |       | (142,246)                 | (136,100)                 | (266,452)                 |
| Other Property and Services                           |       | (187,029)                 | (82,200)                  | (49,583)                  |
|   |       | <u>(8,512,569)</u>        | <u>(8,473,030)</u>        | <u>(8,125,505)</u>        |
| <b>Net Result Excluding Rates</b>                     |       | <b>(5,652,863)</b>        | <b>(5,728,430)</b>        | <b>(5,288,616)</b>        |
| <b>Adjustments for Cash Budget Requirements:</b>      |       |                           |                           |                           |
| <b>Non-Cash Expenditure and Revenue</b>               |       |                           |                           |                           |
| (Profit)/Loss on Asset Disposals                      | 20    | (17,482)                  | (16,000)                  | (8,954)                   |
| Movement in Deferred Pensioner Rates (Non-Current)    |       | (6,034)                   | 0                         | 9,257                     |
| Movement in Employee Benefit Provisions               |       | (136,783)                 | 0                         | (19,020)                  |
| Depreciation and Amortisation on Assets               | 2(a)  | 999,143                   | 945,600                   | 947,149                   |
| <b>Capital Expenditure and Revenue</b>                |       |                           |                           |                           |
| Purchase Land and Buildings                           |       | (309,294)                 | (665,200)                 | (350,194)                 |
| Purchase Infrastructure Assets                        |       | (1,375,274)               | (1,847,500)               | (989,417)                 |
| Purchase Plant and Equipment                          |       | (147,432)                 | (146,400)                 | (92,312)                  |
| Purchase Furniture and Equipment                      |       | (4,649)                   | (16,000)                  | (49,479)                  |
| Proceeds from Disposal of Assets                      | 20    | 38,950                    | 29,000                    | 33,861                    |
| Repayment of Debentures                               | 21    | (41,568)                  | (41,570)                  | (133,876)                 |
| Proceeds from New Debentures                          | 21    | 0                         | 0                         | 0                         |
| Self-Supporting Loan Principal Income                 |       | 0                         | 0                         | 2,494                     |
| Transfers to Reserves (Restricted Assets)             | 11    | (1,523,572)               | (1,471,100)               | (1,590,788)               |
| Transfers from Reserves (Restricted Assets)           | 11    | 2,065,400                 | 2,510,100                 | 1,474,207                 |
| <b>ADD</b> Estimated Surplus/(Deficit) July 1 B/Fwd   | 22(b) | 250,948                   | 88,500                    | 262,170                   |
| <b>LESS</b> Estimated Surplus/(Deficit) June 30 C/Fwd | 22(b) | 523,436                   | 0                         | 250,948                   |
| <b>Total Amount Raised from General Rate</b>          | 22(a) | <u><b>(6,383,946)</b></u> | <u><b>(6,359,000)</b></u> | <u><b>(6,044,466)</b></u> |

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



**TOWN OF EAST FREMANTLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SUMMARY OF 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 which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**The Local Government Reporting Entity**

All Funds through which the Council 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. A separate statement of those monies appears at Note 19. to these financial statements.

**(b) Goods and Services Tax (GST)**

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.

**(c) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments 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 reported as short term borrowings in current liabilities in the statement of financial position.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(d) 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.

**(e) 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.

***Land Held for Sale***

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

Gains and losses are recognised in profit or loss 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 sale is classified as current except where it is held as non-current based on Council's intentions to release for sale.

**(f) Fixed Assets**

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

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

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

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

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

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

(i) that are plant and equipment; and

(ii) that are -

(I) land and buildings; or-

(II) Infrastructure;

and

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

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

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(f) Fixed Assets (Continued)**

In 2013, Council commenced the process of adopting Fair Value in accordance with the Regulations.

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

***Land Under Control***

In accordance with Local Government (Financial Management) Regulation 16(a), the Council 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 and Measurement between Mandatory Revaluation Dates***

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 Council 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.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(f) Fixed Assets (Continued)**

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

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

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

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

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(g) Fixed Assets (Continued)**

***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.

Major depreciation periods used for each class of depreciable asset are:

|                                   |                         |
|-----------------------------------|-------------------------|
| Buildings                         | 40-50 years (2.5%-2.0%) |
| IT Equipment                      | 4 years (25%)           |
| Furniture and Equipment           | 10 years (10%)          |
| Plant and Equipment - HACC Buses  | 12 years (8.5%)         |
| Plant and Equipment - Heavy Fleet | 11 years (9.0%)         |
| Plant and Equipment - Light Fleet | 5 years (20%)           |
| Plant and Equipment - Other       | 5 years (20%)           |
| Infrastructure                    | Various                 |

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

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

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

***Capitalisation Threshold***

Expenditure on items of equipment under \$2,500 is not capitalised. Rather, it is recorded on an asset inventory listing.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(g) Fair Value of Assets and Liabilities**

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

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

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

To the extent possible, market information is extracted from either the principal market for the asset (i.e. the market with the greatest volume and level of activity for the asset or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. 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 in its highest and best use or to sell it to another market participant that would use the asset in 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 Council 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 Council 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.

**TOWN OF EAST FREMANTLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(g) Fair Value of Assets and Liabilities (Continued)**

**Income approach**

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

**Cost approach**

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

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Council 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 and considered observable, whereas 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 requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

**(h) Financial Instruments**

***Initial Recognition and Measurement***

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (i.e. 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.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(h) Financial Instruments (Continued)**

***Classification and Subsequent Measurement (Continued)***

*(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 where they are expected to mature within 12 months after the end of the reporting period.

*(iii) Held-to-maturity investments*

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

Held-to-maturity investments are included in non-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 (i.e. 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.



**TOWN OF EAST FREMANTLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(h) Financial Instruments (Continued)**

***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 Council 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.

**(i) Impairment of Assets**

In accordance with Australian Accounting Standards the Council'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.

**(j) Trade and Other Payables**

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

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(k) Employee Benefits**

**Short-Term Employee Benefits**

Provision is made for the Council'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 Council'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 Council'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 or 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 Council's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Council 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.

**(l) 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.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(m) Provisions**

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

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

**(n) 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 Council, are classified as finance leases.

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

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

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

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

**(o) Investment in Associates**

An associate is an entity over which the Council 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 Council's share of net assets of the associate. In addition, the Council's share of the profit or loss of the associate is included in the Council's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Council'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 Council and the associate are eliminated to the extent of the Council's interest in the associate.

When the Council's share of losses in an associate equals or exceeds its interest in the associate, the Council 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 Council will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(p) 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. Refer to note 1(o) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Council'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 the joint ventures is set out in Note 16.

**(q) 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 2(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.

**(r) Superannuation**

The Council contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Council contributes are defined contribution plans.

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

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where the Council 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 Council's intentions to release for sale.

**(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.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(u) Comparative Figures**

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

When the Council 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) 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.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

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

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

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

| Title  | Issued / Compiled | Applicable <sup>(1)</sup> | 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 Council, it is not anticipated the Standard will have any material effect. |
| (ii) AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) | September 2012    | 1 January 2018            | Nil - The revisions embodied in this Standard give effect to consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).  |

[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

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

| Title  | Issued / Compiled | Applicable <sup>(1)</sup> | Impact   |
|--|-------------------|---------------------------|--|
| (iii) AASB 15 Revenue from Contracts with Customers  | December 2014     | 1 January 2017            | This Standard establishes principles for entities to apply 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. |
| (iv) AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments | December 2013     | Refer title column        | The effect of this Standard will depend upon the nature of transactions the Council has with those third parties it with. It may or may not be significant.  |
| [Operative date: Part C Financial Instruments - 1 January 2015]  |                   |                           | Part C of this Standard makes consequential amendments to AASB 9 and numerous other Standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value.                     |
|  |                   |                           | As the bulk of changes relate either to editorial or reference changes it is not expected to have a significant impact on the Council.   |

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

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

| Title   | Issued / Compiled | Applicable <sup>(1)</sup> | Impact   |
|---|-------------------|---------------------------|--|
| (v) AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations<br><br>[AASB 1 & AASB 11]        | August 2014       | 1 January 2016            | This Standard amends AASB 11: <i>Joint Arrangements</i> 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: <i>Business Combinations</i> , 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.<br>Since adoption of this Standard would impact only interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Council's financial statements. |
| (vi) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation<br><br>[AASB 116 & 138] | August 2014       | 1 January 2016            | This Standard amends AASB 116 and AASB 138 to 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.<br>Given the Council currently 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.   |



**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

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

|   |               |                |   |
|---|---------------|----------------|---|
| (vii) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15  | December 2014 | 1 January 2017 | Consequential changes to various Standards arising from the issuance of AASB 15.  |
| (viii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101<br><br>[AASB 7, 101, 134 & 1049] | January 2015  | 1 January 2016 | It will require changes to reflect the impact of AASB 15.<br><br>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.<br><br>This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column. |
| (ix) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality                               | January 2015  | 1 July 2015    | It is not anticipated it will have any significant impact on disclosures.<br><br>This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing it to be completely withdrawn.<br><br>It is not anticipated it will have a significant impact as the principles of materiality remain largely unchanged.  |

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

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

| Title   | Issued / Compiled | Applicable <sup>(1)</sup> | Impact  |
|---|-------------------|---------------------------|---|
| (x) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities<br><br>[AASB 10, 124 & 1049] | March 2015        | 1 July 2016               | The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.<br>The Standard is expected to have a significant disclosure impact on the financial report of the Council as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary. |

**Notes:**

<sup>(1)</sup> Applicable to reporting periods commencing on or after the given date.

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

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

These new and revised Standards were:

- AASB 2011-7
- AASB 2012-3
- AASB 2013-3
- AASB 2013-8
- AASB 2013-9 Parts A & B

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

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**2. REVENUE AND EXPENSES**

**2015**  
\$

**2014**  
\$

**(a) Net Result**

The Net Result includes:

(i) Charging as an Expense:

**Auditors Remuneration**

|                                 |       |        |
|---------------------------------|-------|--------|
| - Audit of the financial report | 5,816 | 13,075 |
| - Other Services                | 2,705 | 2,100  |

**Depreciation**

|                         |                |                |
|-------------------------|----------------|----------------|
| Buildings               | 304,993        | 299,114        |
| Furniture and Equipment | 41,619         | 31,714         |
| Plant and Equipment     | 78,669         | 189,715        |
| Infrastructure          | 454,034        | 426,606        |
|                         | <u>999,143</u> | <u>947,149</u> |

**Interest Expenses (Finance Costs)**

|  |              |              |
|--|--------------|--------------|
| Debentures ( <i>refer Note 21(a)</i> ) | 2,205        | 9,260        |
|  | <u>2,205</u> | <u>9,260</u> |

**Reimbursements and Recoveries**

|  |               |               |
|--|---------------|---------------|
|  | 39,563        | 27,425        |
|  | <u>39,563</u> | <u>27,425</u> |

(ii) Crediting as Revenue:

|   | <b>2015</b><br>\$ | <b>2015</b><br><b>Budget</b><br>\$ | <b>2014</b><br>\$ |
|---|-------------------|------------------------------------|-------------------|
| <b>Interest Earnings</b>                        |                   |                                    |                   |
| Investments                                     |                   |                                    |                   |
| - Reserve Funds                                 | 74,572            | 70,000                             | 87,034            |
| - Other Funds                                   | 43,970            | 54,000                             | 131,006           |
| Other Interest Revenue ( <i>refer note 26</i> ) | 61,637            | 54,900                             | 56,116            |
|   | <u>180,179</u>    | <u>178,900</u>                     | <u>274,156</u>    |

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**2. REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective**

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

Council operations as disclosed in this financial report encompass the following service oriented activities/programs.

**GOVERNANCE**

Objective: To provide a decision making process for the efficient allocation of scarce resources.

Activities: Administration and operation of facilities and services to members of Council.

Other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.

**GENERAL PURPOSE FUNDING**

Objective: To collect revenue to allow for the provision of services.

Activities: Rating, General Purpose Government Grants and the earning of interest.

**LAW, ORDER, PUBLIC SAFETY**

Objective: To provide Bushfire Prevention Services and Animal ( Dog ) Control services.

Activities: Supervision, Enforcement of Bushfire Act and Dog Act.

**HEALTH**

Objective: To provide an operational framework for good community health in conjunction with the Health Department of W.A.

Activities: Health inspection services regarding food quality, pest control etc and the provision of Child Health Clinics

**EDUCATION AND WELFARE**

Objective: to provide assistance to senior citizens welfare and home and community care, and the provision of services including meals on wheels

**HOUSING**

Objective: Help to ensure that adequate housing is available to staff and the community.

Activities: Provision and maintenance of 5 rental properties.

**COMMUNITY AMENITIES**

Objective: To provide community amenities and other infrastructure as required by the community.

Activities: Rubbish Collection and Disposal, maintenance of Rubbish Tips and recycling, administration of Town Planning Schemes for the Town including provision of residential, commercial and Townscape facilities.

**RECREATION AND CULTURE**

Objective: To establish and manage efficiently sport and recreation infrastructure and resources which will help the social wellbeing and health of the community.

Activities: The provision and maintenance in conjunction with the various communities of public halls, recreation grounds, sports pavillions and the joint operation of the City of Fremantle Library.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH 2011**

**2. REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective**

**TRANSPORT**

Objective: To provide effective and efficient transport infrastructure to the community.

Activities: Construction and maintenance of streets, roads, bridges, the cleaning and lighting of streets.

**ECONOMIC SERVICES**

Objective: To help promote the Town and improve its economic wellbeing.

Activities: The regulation and provision of tourism, area promotion activities and building control.

**OTHER PROPERTY AND SERVICES**

Objective: To provide other services etc, not elsewhere included

Activities: Private Works operations, Council plant repairs, operation costs and depot maintenance.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**2. REVENUE AND EXPENSES (Continued)**

| Grant/Contribution             | Function/<br>Activity | Opening                  |    | Expended (#) |                 | Closing                  |        | Received (+)<br>2014/15 | Expended (#)<br>2014/15 | Closing<br>Balance<br>30-Jun-15 |
|--------------------------------|-----------------------|--------------------------|----|--------------|-----------------|--------------------------|--------|-------------------------|-------------------------|---------------------------------|
|                                |                       | Balance (*)<br>30-Jun-13 | \$ | 2013/14      | \$              | Balance (*)<br>30-Jun-14 | \$     |                         |                         |                                 |
| Cat Act Grant                  | 5                     | 174                      |    | 0            | (174)           | 0                        |        | 0                       | 0                       | 0                               |
| HACC Capital Grant             | 8                     | 4,600                    |    | 0            | (4,600)         | 0                        |        | 0                       | 0                       | 0                               |
| Dept of Environ Recycle Grant  | 10                    | 40,000                   |    | 0            | (40,000)        | 0                        |        | 0                       | 0                       | 0                               |
| Dept Sport EF Oval Redevelopme | 11                    | 50,000                   |    | 0            | 0               | 50,000                   |        | 0                       | (50,000)                | 0                               |
| Kidsport Grant                 | 11                    | 8,838                    |    | 0            | (4,833)         | 4,005                    |        | 0                       | (2,000)                 | 2,005                           |
| DSR Recreation & Community Fa  | 5                     | 0                        |    | 0            | 0               | 0                        | 50,000 | 0                       | 0                       | 50,000                          |
| <b>Total</b>                   |                       | <b>103,612</b>           |    | <b>0</b>     | <b>(49,607)</b> | <b>54,005</b>            |        | <b>50,000</b>           | <b>(52,000)</b>         | <b>52,005</b>                   |

**Notes:**

(\*) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(+) - 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.

(#) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

|   | <b>2015</b>             | <b>2014</b>             |
|---|-------------------------|-------------------------|
|   | <b>\$</b>               | <b>\$</b>               |
| <b>3. CASH AND CASH EQUIVALENTS</b>   |                         |                         |
| Unrestricted  | 1,454,753               | 829,364                 |
| Restricted  | <u>1,859,735</u>        | <u>2,401,563</u>        |
|   | <u><u>3,314,488</u></u> | <u><u>3,230,927</u></u> |
| The following restrictions have been imposed by regulations or other externally imposed requirements: |                         |                         |
| Staff Leave Reserve   | 327,981                 | 474,872                 |
| Plant Replacement Reserve   | 183,372                 | 289,475                 |
| Civic Building Reserve  | 381,663                 | 588,032                 |
| HACC Reserve  | 174,702                 | 169,315                 |
| Legal Funds Reserve   | 131,140                 | 127,096                 |
| Strategic Plan Reserve  | 419,389                 | 581,835                 |
| Office Reserve  | 114,968                 | 76,533                  |
| Arts & Sculpture Reserve  | 74,515                  | 40,400                  |
| Unspent Grants  | <u>52,005</u>           | <u>54,005</u>           |
|   | <u><u>1,859,735</u></u> | <u><u>2,401,563</u></u> |
| <b>4. TRADE AND OTHER RECEIVABLES</b>   |                         |                         |
| <b>Current</b>  |                         |                         |
| Rates Outstanding   | 91,371                  | 75,990                  |
| Sundry Debtors  | 143,543                 | 128,617                 |
| Accrued Income ESL  | 9,777                   | 15,921                  |
| Less Provision for Doubtful Debts   | <u>(600)</u>            | <u>(600)</u>            |
|   | <u><u>244,091</u></u>   | <u><u>219,928</u></u>   |
| <b>Non-Current</b>  |                         |                         |
| Rates Outstanding - Pensioners  | <u>83,622</u>           | <u>77,589</u>           |
|   | <u><u>83,622</u></u>    | <u><u>77,589</u></u>    |

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

|   | 2015<br>\$ | 2014<br>\$ |
|---|------------|------------|
| <b>5. PROPERTY, PLANT AND EQUIPMENT</b> |            |            |
| Land and Buildings                      |            |            |
| Freehold Land at:                       |            |            |
| - Independent Valuation 2014            | 3,992,000  | 3,992,000  |
| - Cost                                  | 0          | 0          |
|   | 3,992,000  | 3,992,000  |
| Land Under Control at:                  |            |            |
| - Independent Valuation 2014            | 0          | 0          |
| Total Land                              | 3,992,000  | 3,992,000  |
| Buildings at:                           |            |            |
| - Independent Valuation 2014            | 12,165,000 | 12,165,000 |
| - Additions after Valuation - Cost      | 309,294    | 0          |
| Less Accumulated Depreciation           | (304,993)  | 0          |
| Total Buildings                         | 12,169,301 | 12,165,000 |
| Total Land and Buildings                | 16,161,301 | 16,157,000 |
| Furniture and Equipment                 |            |            |
| - Management Valuation 2013             | 112,157    | 112,157    |
| - Additions after Valuation - Cost      | 54,128     | 49,479     |
| - Disposal after Valuation              | (1,928)    | (1,928)    |
| Less Accumulated Depreciation           | (73,333)   | (31,714)   |
|   | 91,024     | 127,994    |
| Plant and Equipment                     |            |            |
| - Management Valuation 2013             | 727,113    | 727,113    |
| - Additions after Valuation - Cost      | 239,745    | 92,312     |
| - Disposal after Valuation              | (182,184)  | (40,887)   |
| Less Accumulated Depreciation           | (268,384)  | (189,715)  |
| Impairment (losses)                     | 0          | 0          |
|   | 516,290    | 588,823    |
|   | 16,768,615 | 16,873,817 |

**Land and Buildings**

The Town's land and buildings were revalued at 30 June 2014 by independent valuers.

**Furniture and Equipment & Plant and Equipment:**

Both Furniture and Equipment and Plant and Equipment were revalued in 2013 as part of the mandatory requirements embodied in Local Government (Financial Management) Regulation 17 A.

Whilst the additions since that time are shown at cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. Thus, the value is considered in accordance with Local Government (Financial Management) Regulation 17A (2) which requires these assets to be shown at fair value.

They will be revalued during the year ended 30 June 2016 in accordance with the mandatory asset measurement framework detailed at Note 1 (f).



**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**5a. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**Movements in Carrying Amounts**

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

|   | Land<br>(Level 2)<br>\$ | Non-<br>Specialised<br>Buildings<br>(Level 2)<br>\$ | Specialised<br>Buildings<br>(Level 3)<br>\$ | Total<br>Buildings<br>\$ | Total<br>Land<br>and<br>Buildings<br>\$ | Plant<br>and<br>Equipment<br>(Level 2)<br>\$ | Furniture<br>and<br>Equipment<br>(Level 3)<br>\$ | Total<br>\$       |
|---|-------------------------|---|---|--------------------------|---|--|--|-------------------|
| Balance as at the beginning<br>of the year    | 3,992,000               | 1,206,000   | 10,959,000                                  | 12,165,000               | 16,157,000                              | 588,823                                      | 127,994  | 16,873,817        |
| Additions                                     | 0                       | 0   | 309,294                                     | 309,294                  | 309,294                                 | 147,433                                      | 4,649  | 461,376           |
| Revaluation-Increment<br>-Decrement           | 0                       | 0   | 0   | 0                        | 0                                       | 0  | 0  | 0                 |
| (Disposals)                                   | 0                       | 0   | 0   | 0                        | 0                                       | (141,297)                                    | 0  | (141,297)         |
| Depreciation (Disposals)                      | 0                       | 0   | 0   | 0                        | 0                                       | 119,828                                      | 0  | 119,828           |
| Depreciation (Expense)                        | 0                       | (31,006)  | (273,987)                                   | (304,993)                | (304,993)                               | (198,497)                                    | (41,619)   | (545,109)         |
| Impairment (losses)                           | 0                       | 0   | 0   | 0                        | 0                                       | 0  | 0  | 0                 |
| <b>Carrying amount at the<br/>end of year</b> | <b>3,992,000</b>        | <b>1,174,994</b>                                    | <b>10,994,307</b>                           | <b>12,169,301</b>        | <b>16,161,301</b>                       | <b>516,290</b>                               | <b>91,024</b>                                    | <b>16,768,615</b> |

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**5b. PROPERTY, PLANT AND EQUIPMENT (Continued)**

| Asset Class               | Fair Value Hierarchy | Valuation Technique   | Basis of valuation             | Date of last Valuation | Inputs used   |
|---------------------------|----------------------|---|--------------------------------|------------------------|---|
| Land                      | (Level 2)            | Market approach using recent observable market data for similar properties / income approach using discounted cash flow methodology | Independent registered valuers | June 2014              | Price per hectare / market borrowing rate   |
| Non-Specialised Buildings | (Level 2)            | Improvements to land using cost approach of depreciated replacement cost  | Independent registered valuers | June 2014              | Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful |
| Specialised Buildings     | (Level 3)            | Market approach using recent observable market data for similar properties / income approach using discounted cash flow methodology | Independent registered valuers | June 2014              | Price per square metre / market borrowing rate  |
| Plant & Equipment         | (Level 2)            | Market approach using recent observable market data for similar items   | Management valuation           | June 2013              | Price per item  |
| Furniture & Equipment     | (Level 3)            | Cost approach using depreciated replacement cost  | Management valuation           | June 2013              | Purchase costs and current condition (Level 2), residual values and remaining useful                                |

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement. During the period there were no changes in the valuation techniques used to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

|  | 2015<br>\$        | 2014<br>\$         |
|--|-------------------|--------------------|
| <b>6. INFRASTRUCTURE</b>               |                   |                    |
| Roads - Independent Valuation 2015     | 33,356,000        |                    |
| Roads - Cost                           |                   | 8,920,057          |
| Less Accumulated Depreciation          |                   | <u>(2,056,250)</u> |
|  | <u>33,356,000</u> | <u>6,863,807</u>   |
| <br>                                   |                   |                    |
| Reserves - Cost                        |                   | 785,189            |
| Less Accumulated Depreciation          |                   | <u>(204,163)</u>   |
|  | <u>0</u>          | <u>581,026</u>     |
| <br>                                   |                   |                    |
| Rivers - Cost                          |                   | 181,011            |
| Less Accumulated Depreciation          |                   | <u>(73,312)</u>    |
|  | <u>0</u>          | <u>107,699</u>     |
| <br>                                   |                   |                    |
| Footpaths - Independent Valuation 2015 | 4,718,000         |                    |
| Footpaths - Cost                       |                   | 3,753,818          |
| Less Accumulated Depreciation          |                   | <u>(693,759)</u>   |
|  | <u>4,718,000</u>  | <u>3,060,059</u>   |
| <br>                                   |                   |                    |
| Signs - Cost                           |                   | 85,453             |
| Less Accumulated Depreciation          |                   | <u>(76,924)</u>    |
|  | <u>0</u>          | <u>8,529</u>       |
| <br>                                   |                   |                    |
| Irrigation - Cost                      |                   | 359,564            |
| Less Accumulated Depreciation          |                   | <u>(205,344)</u>   |
|  | <u>0</u>          | <u>154,220</u>     |
| <br>                                   |                   |                    |
| Parks - Cost                           |                   | 1,436,970          |
| Less Accumulated Depreciation          |                   | <u>(291,683)</u>   |
|  | <u>0</u>          | <u>1,145,287</u>   |

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

|   | <b>2015</b>       | <b>2014</b>       |
|---|-------------------|-------------------|
|   | <b>\$</b>         | <b>\$</b>         |
| <b>6. INFRASTRUCTURE (Continued)</b>                  |                   |                   |
| Car Parks - Independent Valuation 2015                | 3,013,000         |                   |
| Car Parks - Cost                                      |                   | 1,982,386         |
| Less Accumulated Depreciation                         |                   | (185,306)         |
|   | <u>3,013,000</u>  | <u>1,797,080</u>  |
| Drainage - Independent Valuation 2015                 | 2,998,000         |                   |
| Drainage - Cost                                       |                   | 1,470,495         |
| Less Accumulated Depreciation                         |                   | (189,002)         |
|   | <u>2,998,000</u>  | <u>1,281,493</u>  |
| Bus Shelters - Independent Valuation 2015             |                   |                   |
| Bus Shelters - Cost                                   |                   | 72,993            |
| Less Accumulated Depreciation                         |                   | (4,794)           |
|   | <u>0</u>          | <u>68,199</u>     |
| Public Open Space Assets - Independent Valuation 2015 | 8,610,000         |                   |
|   | 8,610,000         | 0                 |
| Other Improvements - Independent Valuation 2015       | 2,973,000         |                   |
|   | 2,973,000         | 0                 |
|   | <u>55,668,000</u> | <u>15,067,399</u> |

Note: Public Open Space Assets and Other Improvements are inclusive of Reserves, Rivers, Signs, Irrigation, Parks and Bus Shelters.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**6a. INFRASTRUCTURE (Continued)**

**Movements in Carrying Amounts**

Movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

|   | <b>Roads<br/>(Level 3)<br/>\$</b> | <b>Footpaths<br/>(Level 3)<br/>\$</b> | <b>Car Parks<br/>(Level 3)<br/>\$</b> | <b>Drainage<br/>(Level 3)<br/>\$</b> | <b>Public<br/>Open<br/>Space<br/>(Level 3)<br/>\$</b> | <b>Other<br/>Improvements<br/>(Level 3)<br/>\$</b> | <b>Total<br/>\$</b>      |
|---|-----------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|---|--|--------------------------|
| Balance at the beginning<br>of the year       | 7,239,270                         | 2,684,594                             | 1,833,938                             | 1,281,491                            | 1,920,406   | 107,700  | 15,067,399               |
| Additions                                     | 147,726                           | 400,394                               | 30,410                                | 0                                    | 656,111   | 140,633  | 1,375,274                |
| Revaluation-Increment                         | 26,166,712                        | 1,717,848                             | 1,198,359                             | 1,753,269                            | 6,113,988   | 2,729,185  | 39,679,361               |
| Depreciation (Expense)                        | (197,708)                         | (84,836)                              | (49,707)                              | (36,760)                             | (80,505)  | (4,518)  | (454,034)                |
| <b>Carrying amount at the<br/>end of year</b> | <b><u>33,356,000</u></b>          | <b><u>4,718,000</u></b>               | <b><u>3,013,000</u></b>               | <b><u>2,998,000</u></b>              | <b><u>8,610,000</u></b>                               | <b><u>2,973,000</u></b>                            | <b><u>55,668,000</u></b> |

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**6b. INFRASTRUCTURE (Continued)**

**Fair Value Measurements**

| <b>Asset Class</b>        | <b>Fair Value Hierarchy</b> | <b>Valuation Technique</b>                       | <b>Basis of valuation</b>      | <b>Date of last Valuation</b> | <b>Inputs used</b>   |
|---------------------------|-----------------------------|--|--------------------------------|-------------------------------|--|
| <b>Roads</b>              | <b>(Level 3)</b>            | Cost approach using depreciated replacement cost | Independent registered valuers | June 2015                     | Construction cost and current condition (Level 2), residual value and remaining useful life assessments (Level 3) inputs |
| <b>Footpaths</b>          | <b>(Level 3)</b>            | Cost approach using depreciated replacement cost | Independent registered valuers | June 2015                     | Construction cost and current condition (Level 2), residual value and remaining useful life assessments (Level 3) inputs |
| <b>Car Parks</b>          | <b>(Level 3)</b>            | Cost approach using depreciated replacement cost | Independent registered valuers | June 2015                     | Construction cost and current condition (Level 2), residual value and remaining useful life assessments (Level 3) inputs |
| <b>Drainage</b>           | <b>(Level 3)</b>            | Cost approach using depreciated replacement cost | Independent registered valuers | June 2015                     | Construction cost and current condition (Level 2), residual value and remaining useful life assessments (Level 3) inputs |
| <b>Public Open Space</b>  | <b>(Level 3)</b>            | Cost approach using depreciated replacement cost | Independent registered valuers | June 2015                     | Construction cost and current condition (Level 2), residual value and remaining useful life assessments (Level 3) inputs |
| <b>Other Improvements</b> | <b>(Level 3)</b>            | Cost approach using depreciated replacement cost | Independent registered valuers | June 2015                     | Construction cost and current condition (Level 2), residual value and remaining useful life assessments (Level 3) inputs |

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

**TOWN OF EAST FREMANTLE  
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FOR THE YEAR ENDED 30TH JUNE 2015**

**7. INTANGIBLES**

Easements have an indefinite useful life and no amortisation applies.

The Town has three drainage easements, which are considered to be non market type assets which cannot be readily traded in the open market. Such assets are held by authorities for their value in use.

Valuation of the subject easements in gross is less than the capitalisation threshold, therefore Council has treated these items as a disclosure note in accordance with accounting policy and regulation.

**8. TRADE AND OTHER PAYABLES**

|   | <b>2015</b>    | <b>2014</b>    |
|---|----------------|----------------|
|   | <b>\$</b>      | <b>\$</b>      |
| <b>Current</b>                            |                |                |
| Sundry Creditors                          | 792,295        | 293,680        |
| Accrued Interest on Debentures & Expenses | 17,464         | 78,438         |
| Accrued Salaries and Wages                | 51,684         | 73,710         |
|   | <u>861,443</u> | <u>445,828</u> |

**9. LONG-TERM BORROWINGS**

|                            |          |               |
|----------------------------|----------|---------------|
| <b>Current</b>             |          |               |
| Secured by Floating Charge |          |               |
| Debentures                 | <u>0</u> | <u>41,568</u> |
|                            | <u>0</u> | <u>41,568</u> |

|                            |          |          |
|----------------------------|----------|----------|
| <b>Non-Current</b>         |          |          |
| Secured by Floating Charge |          |          |
| Debentures                 | <u>0</u> | <u>0</u> |
|                            | <u>0</u> | <u>0</u> |

Additional detail on borrowings is provided in Note 21.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

| <b>10. PROVISIONS</b>                  | <b>2015</b>                                      | <b>2014</b>  |
|--|--|--|
|  | <b>\$</b>  | <b>\$</b>  |
| Analysis of Total Provisions           |  |  |
| Current                                | 641,946  | 827,388  |
| Non-Current                            | 41,540   | 31,433   |
|  | <u>683,486</u>                                   | <u>858,821</u>   |
|  | <b>Provision for<br/>Annual<br/>Leave<br/>\$</b> | <b>Provision for<br/>Long Service<br/>Leave<br/>\$</b> |
|  | <b>\$</b>  | <b>Total<br/>\$</b>                                    |
| Opening balance as at 1 July 2014      | 414,380  | 858,821  |
| Additional provisions                  | (160,734)  | (175,335)  |
| Balance at 30 June 2015                | <u>253,646</u>                                   | <u>683,486</u>   |
|  | <b>2015</b>                                      | <b>2015</b>  |
|  | <b>\$</b>  | <b>Budget</b>  |
|  |  | <b>\$</b>  |
| <b>11. RESERVES - CASH BACKED</b>      |  |  |
| <b>(a) Plant Replacement Reserve</b>   |  |  |
| Opening Balance                        | 289,475  | 239,326  |
| Amount Set Aside / Transfer to Reserve | 11,297   | 142,449  |
| Amount Used / Transfer from Reserve    | (117,400)  | (92,300)   |
|  | <u>183,372</u>                                   | <u>289,475</u>   |
| <b>(b) Staff Leave Reserve</b>         |  |  |
| Opening Balance                        | 474,872  | 456,652  |
| Amount Set Aside / Transfer to Reserve | 62,109   | 18,220   |
| Amount Used / Transfer from Reserve    | (209,000)  | 0  |
|  | <u>327,981</u>                                   | <u>474,872</u>   |
| <b>(c) Office Reserve</b>              |  |  |
| Opening Balance                        | 76,533   | 73,693   |
| Amount Set Aside / Transfer to Reserve | 42,435   | 52,340   |
| Amount Used / Transfer from Reserve    | (4,000)  | (49,500)   |
|  | <u>114,968</u>                                   | <u>76,533</u>  |
| <b>(d) Legal Costs Reserve</b>         |  |  |
| Opening Balance                        | 127,096  | 122,220  |
| Amount Set Aside / Transfer to Reserve | 4,044  | 4,876  |
| Amount Used / Transfer from Reserve    | 0  | 0  |
|  | <u>131,140</u>                                   | <u>127,096</u>   |



**TOWN OF EAST FREMANTLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**11. RESERVES - CASH BACKED (Continued)**

|   | 2015<br>\$       | 2015<br>Budget<br>\$ | 2014<br>\$       |
|---|------------------|----------------------|------------------|
| <b>(e) HACC Reserve</b>                 |                  |                      |                  |
| Opening Balance                         | 169,315          | 169,000              | 162,819          |
| Amount Set Aside / Transfer to Reserve  | 5,387            | 5,000                | 6,496            |
| Amount Used / Transfer from Reserve     | 0                | 0                    | 0                |
|   | <u>174,702</u>   | <u>174,000</u>       | <u>169,315</u>   |
| <b>(f) Strategic Plan Reserve</b>       |                  |                      |                  |
| Opening Balance                         | 581,835          | 525,000              | 366,652          |
| Amount Set Aside / Transfer to Reserve  | 1,200,554        | 1,200,300            | 1,139,483        |
| Amount Used / Transfer from Reserve     | (1,363,000)      | (1,641,400)          | (924,300)        |
|   | <u>419,389</u>   | <u>83,900</u>        | <u>581,835</u>   |
| <b>(g) Civic Building Reserve</b>       |                  |                      |                  |
| Opening Balance                         | 588,032          | 588,000              | 756,450          |
| Amount Set Aside / Transfer to Reserve  | 102,631          | 102,000              | 181,782          |
| Amount Used / Transfer from Reserve     | (309,000)        | (665,200)            | (350,200)        |
|   | <u>381,663</u>   | <u>24,800</u>        | <u>588,032</u>   |
| <b>(h) Arts &amp; Sculpture Reserve</b> |                  |                      |                  |
| Opening Balance                         | 40,400           | 40,000               | 3,558            |
| Amount Set Aside / Transfer to Reserve  | 45,115           | 45,200               | 45,142           |
| Amount Used / Transfer from Reserve     | (11,000)         | (70,100)             | (8,300)          |
|   | <u>74,515</u>    | <u>15,100</u>        | <u>40,400</u>    |
| <b>(i) Committed Funds Reserve</b>      |                  |                      |                  |
| Opening Balance                         | 54,005           | 54,000               | 103,612          |
| Amount Set Aside / Transfer to Reserve  | 50,000           | 0                    | 0                |
| Amount Used / Transfer from Reserve     | (52,000)         | 0                    | (49,607)         |
|   | <u>52,005</u>    | <u>54,000</u>        | <u>54,005</u>    |
| <b>TOTAL CASH BACKED RESERVES</b>       | <u>1,859,735</u> | <u>1,303,000</u>     | <u>2,401,563</u> |

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**11. RESERVES - CASH BACKED (Continued)**

All of the reserve accounts are supported by money held in financial institutions and match the amounts shown as restricted cash in this financial report.

Plant Replacement Reserve

- to be used for the purchase and replacement of major plant.

Staff Leave Reserve

- to be used for the purpose of accumulated leave obligations.

Office Equipment Reserve

- to be used for the purpose of IT Infrastructure and other office equipment.

Unspent Grants & Restricted Cash Reserve

- to be used for the retention of unspent specific purpose grants and loans.

HACC Reserve

- to be used for the retention of unspent HACC program funds.

Legal Funds Reserve

- to be used for the purpose of funding legal requirements.

Civic Buildings Reserve

- to be used for the purpose of maintaining Civic Buildings.

Strategic Plan & Infrastructure Reserve

- to be used for the purpose of maintaining infrastructure and the provision of strategic plans.

Arts & Sculpture Reserve

- to be used for the provision of art and sculpture.

The Reserves are not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.

**12. RESERVES - ASSET REVALUATION**

**2015**  
**\$**

**2014**  
**\$**

Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:

(a) **Land**

|                       |                  |                  |
|-----------------------|------------------|------------------|
| Opening balance       | 3,502,000        | 0                |
| Revaluation Increment | 0                | 3,502,000        |
|                       | <u>3,502,000</u> | <u>3,502,000</u> |

(b) **Non-Specialised Buildings**

|                       |                |                |
|-----------------------|----------------|----------------|
| Opening balance       | 512,403        | 0              |
| Revaluation Increment | 0              | 512,403        |
|                       | <u>512,403</u> | <u>512,403</u> |

(c) **Specialised Buildings**

|                       |                  |                  |
|-----------------------|------------------|------------------|
| Opening balance       | 5,002,215        | 0                |
| Revaluation Increment | 0                | 5,002,215        |
|                       | <u>5,002,215</u> | <u>5,002,215</u> |

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**12 RESERVES - ASSET REVALUATION (Continued)**

|   |                          |                         |
|---|--------------------------|-------------------------|
| <b>(d) Roads</b>                        |                          |                         |
| Opening Balance                         | 0                        | 0                       |
| Revaluation Increment                   | 26,166,712               | 0                       |
|   | <u>26,166,712</u>        | <u>0</u>                |
| <b>(e) Footpaths</b>                    |                          |                         |
| Opening Balance                         | 0                        | 0                       |
| Revaluation Increment                   | 1,717,848                | 0                       |
|   | <u>1,717,848</u>         | <u>0</u>                |
| <b>(f) Drainage</b>                     |                          |                         |
| Opening Balance                         | 0                        | 0                       |
| Revaluation Increment                   | 1,753,269                | 0                       |
|   | <u>1,753,269</u>         | <u>0</u>                |
| <b>(g) Public Open Space</b>            |                          |                         |
| Opening Balance                         | 0                        | 0                       |
| Revaluation Increment                   | 6,113,988                | 0                       |
|   | <u>6,113,988</u>         | <u>0</u>                |
| <b>(h) Other Improvement</b>            |                          |                         |
| Opening Balance                         | 0                        | 0                       |
| Revaluation Increment                   | 2,729,185                | 0                       |
|   | <u>2,729,185</u>         | <u>0</u>                |
| <b>(i) Car Parks</b>                    |                          |                         |
| Opening Balance                         | 0                        | 0                       |
| Revaluation Increment                   | 1,198,359                | 0                       |
|   | <u>1,198,359</u>         | <u>0</u>                |
| <b>TOTAL ASSET REVALUATION RESERVES</b> | <u><u>48,695,979</u></u> | <u><u>9,016,618</u></u> |

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**13. NOTES TO THE STATEMENT OF CASH FLOWS**

**(a) Reconciliation of Cash**

For the purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

|                           | <b>2015</b><br><b>\$</b> | <b>2015</b><br><b>Budget</b><br><b>\$</b> | <b>2014</b><br><b>\$</b> |
|---------------------------|--------------------------|---|--------------------------|
| Cash and Cash Equivalents | <u>3,314,488</u>         | <u>2,026,900</u>                          | <u>3,230,927</u>         |

**(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result**

|   |                  |                  |                  |
|---|------------------|------------------|------------------|
| Net Result  | 731,083          | 630,570          | 755,850          |
| Depreciation  | 999,143          | 945,600          | 947,149          |
| (Profit)/Loss on Sale of Asset  | (17,482)         | (16,000)         | 8,954            |
| (Increase)/Decrease in Receivables  | (30,196)         | (250,260)        | 816              |
| Increase/(Decrease) in Payables   | 415,615          | 540,270          | 52,876           |
| Increase/(Decrease) in Employee Provisions                                  | (175,335)        | 0                | 99,487           |
| Grants/Contributions for<br>the Development of Assets                       | (30,000)         | (136,000)        | (97,330)         |
| Non-Current Assets recognised due to<br>changes in legislative requirements |                  | <u>0</u>         | <u>0</u>         |
| Net Cash from Operating Activities  | <u>1,892,828</u> | <u>1,714,180</u> | <u>1,767,802</u> |

**(c) Undrawn Borrowing Facilities  
Credit Standby Arrangements**

|                                      |                |                |                |
|--------------------------------------|----------------|----------------|----------------|
| Bank Overdraft limit                 | 100,000        | 100,000        | 100,000        |
| Credit Card limit                    | 5,000          | 5,000          | 5,000          |
| <b>Total Amount of Credit Unused</b> | <u>105,000</u> | <u>105,000</u> | <u>105,000</u> |

**Loan Facilities**

|  |          |  |               |
|--|----------|--|---------------|
| Loan Facilities - Current                      | 0        |  | 41,568        |
| Loan Facilities - Non-Current                  | 0        |  | 0             |
| <b>Total Facilities in Use at Balance Date</b> | <u>0</u> |  | <u>41,568</u> |

|   |          |  |          |
|---|----------|--|----------|
| <b>Unused Loan Facilities at Balance Date</b> | <u>0</u> |  | <u>0</u> |
|---|----------|--|----------|

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**14. CONTINGENT LIABILITIES**

**Regional Resource Recovery Centre-Lending Facility**

(a) Council is a participant in the Regional Resource Recovery Centre. The Project was established through the Southern Metropolitan Regional Council (SMRC) and involves the Cities of Canning, Cockburn, Fremantle, Melville & Town of East Fremantle in the development of a waste processing plant and a recycling & green waste facility at Canning Vale.

The Council's estimated share of the project funding is based on population percentages over the life of the loan, currently at 3.10% (3.12%).

The SMRC Loan Liability as at 30 June 2015 is \$26,663,532 (\$29,961,623) with the Council's share of this liability being \$826,569 (\$934,803).

(b) The SMRC participants have also guaranteed by way of security to the Wesern Australian Treasury Corporation, a charge over its general funds for the debenture borrowings for the SMRC Administration building at 9 Aldous Place, Booragoon.

The Council's estimated share of the project funding is based on population percentages over the life of the loan, currently at 2.71% (2.74%).

The SMRC Loan Liability as at 30 June 2015, is unchanged at \$1,800,000 with the Council's share of this liability being \$48,780 (\$49,320).

**15. CAPITAL AND LEASING COMMITMENTS**

**2015**

**2014**

**\$**

**\$**

**(a) Finance Lease Commitments**

Nil

**(b) Operating Lease Commitments**

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

Nil

**(c) Capital Expenditure Commitments**

Contracted for:

- capital expenditure projects

Nil

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**16. JOINT VENTURE**

**(a) SOUTHERN METROPOLITAN REGIONAL COUNCIL**

**General Funds (SMRC)**

The Council is a member of the SMRC which was established in accordance with the Local Government Act 1995 and consists of five local governments namely the cities of Cockburn, Fremantle, Melville, Kwinana & Town of East Fremantle.

Council's share in the \$2,039,834 (\$1,892,203) net assets of the SMRC (excluding the RRRC project) as at 30 June 2015 was

|                           | <b>2015</b> | <b>2014</b> |
|---------------------------|-------------|-------------|
| Interest in net Assets    | \$ 55,280   | 51,846      |
| Cost/profit sharing ratio | 2.71%       | 2.74%       |

The RRRC project is disclosed separately as it has a different cost/profit sharing ratio to that for the SMRC's General funds.

**Regional Resource Recovery Centre (RRRC)**

The Cities of Cockburn, Fremantle, Melville & Town of East Fremantle established the venture through the SMRC as a major trading undertaking. The RRRC joint venture's principal activity is the development of a waste processing plant & green waste facility at Canning Vale. Participating Council's 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 Member Council is based on the Australian Bureau of Statistics census of population statistics. Each project participant has developed equity in the project equal to the relevant proportion of the total capital loan repayments made by the project participant. The Council's interest in the \$18,224,246 (\$16,251,682) shared equity of the Joint Venture as at 30 June 2015;

|                           | <b>2015</b> | <b>2014</b> |
|---------------------------|-------------|-------------|
| Share of Equity           | \$ 564,952  | 507,052     |
| Cost/profit sharing ratio | 3.10%       | 3.12%       |

**(b) SOUTH WEST GROUP**

The Council is a member participant in a project for the South West Management Groups with the Cities of Melville, Cockburn, Fremantle, Rockingham & Town of Kwinana.

Council's share in the \$207,643 (\$182,680) net assets of the South West Group as at 30 June 2015 was:

|                           | <b>2015</b> | <b>2014</b> |
|---------------------------|-------------|-------------|
| Share of Equity           | \$ 11,237   | 15,313      |
| Cost/profit sharing ratio | 7.37%       | 7.38%       |

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

|                             | <b>2015</b>       | <b>2014</b>       |
|-----------------------------|-------------------|-------------------|
|                             | <b>\$</b>         | <b>\$</b>         |
| Governance                  | 6,191,633         | 6,197,467         |
| Health                      | 35,049            | 35,873            |
| Education and Welfare       | 1,227,802         | 977,150           |
| Housing                     | 254,976           | 260,970           |
| Community Amenities         | 290,364           | 613,447           |
| Recreation and Culture      | 19,607,582        | 10,064,638        |
| Transport                   | 43,865,638        | 12,706,824        |
| Other Property and Services | 4,605,772         | 4,613,291         |
|                             | <u>76,078,816</u> | <u>35,469,660</u> |

**18. FINANCIAL RATIOS**

|                                   | <b>2015</b> | <b>2014</b> | <b>2013</b> |
|-----------------------------------|-------------|-------------|-------------|
| Current Ratio                     | 1.07        | 1.25        | 1.10        |
| Asset Sustainability Ratio        | 1.32        | 1.48        | 3.35        |
| Debt Service Cover Ratio          | 38.89       | 11.28       | 9.16        |
| Operating Surplus Ratio           | 0.09        | 0.08        | 0.09        |
| Own Source Revenue Coverage Ratio | 0.94        | 0.97        | 0.95        |

The above ratios are calculated as follows:

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

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**19. TRUST FUNDS**

Funds held at balance date over which the council has no control and which are not included in the financial statements are as follows:

|                              | Balance<br>1-Jul-14<br>\$ | Amounts<br>Received<br>\$ | Amounts<br>Paid<br>(\$) | Balance<br>30-Jun-15<br>\$ |
|------------------------------|---------------------------|---------------------------|-------------------------|----------------------------|
| Development Bonds & Deposits | 319,095                   | 131,500                   | (230,965)               | 219,630                    |
| Developer Cash-in-Lieu       | 186,546                   | 234,587                   | (7,700)                 | 413,433                    |
| Mooring Pens                 | 75,190                    | 13,040                    | (19,400)                | 68,830                     |
| Other                        | 51,812                    | 4,660                     | (40,221)                | 16,251                     |
| Unclaimed                    | 7,450                     | 15,776                    | (100)                   | 23,126                     |
|                              | <u>640,093</u>            | <u>399,563</u>            | <u>(298,386)</u>        | <u>741,270</u>             |

\*Held in accordance with the The City of Fremantle and Town of East Fremantle Trust Funds Act 1961.

**20. DISPOSALS OF ASSETS - 2014/15 FINANCIAL YEAR**

The following assets were disposed of during the year.

|                                 | Net Book Value |               | Sale Price    |               | Profit (Loss) |               |
|---------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|
|                                 | Actual<br>\$   | Budget<br>\$  | Actual<br>\$  | Budget<br>\$  | Actual<br>\$  | Budget<br>\$  |
| <b>Administration</b>           |                |               |               |               |               |               |
| <b>Recreation &amp; Culture</b> |                |               |               |               |               |               |
| Nissan Navara                   | 13,368         | 13,000        | 17,272        | 15,000        | 3,904         | 2,000         |
| Ford XL Utility                 | 8,100          | 0             | 5,909         | 0             | (2,191)       | 0             |
| Various Parks & Gardens Equip   | 0              | 0             | 1,769         | 0             | 1,769         | 0             |
| <b>Transport</b>                |                |               |               |               | 0             | 0             |
| Furukawa Loader                 | 0              | 0             | 14,000        | 14,000        | 14,000        | 14,000        |
|                                 | <u>21,468</u>  | <u>13,000</u> | <u>38,950</u> | <u>29,000</u> | <u>17,482</u> | <u>16,000</u> |



**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**21. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

| Particulars                 | Principal<br>1-Jul-14<br>\$ | New<br>Loans<br>\$ | Principal<br>Repayments |              | Principal<br>Outstanding |              | Interest<br>Repayments |              |
|-----------------------------|-----------------------------|--------------------|-------------------------|--------------|--------------------------|--------------|------------------------|--------------|
|                             |                             |                    | Actual<br>\$            | Budget<br>\$ | Actual<br>\$             | Budget<br>\$ | Actual<br>\$           | Budget<br>\$ |
| <b>Administration</b>       |                             |                    |                         |              |                          |              |                        |              |
| Organisational Reform - 179 | 25,980                      | 0                  | 25,980                  | 25,980       | 0                        | 0            | 1,378                  | 1,390        |
| <b>Transport</b>            |                             |                    |                         |              |                          |              |                        |              |
| Road & Footpath Const - 178 | 15,588                      | 0                  | 15,588                  | 15,588       | 0                        | 0            | 827                    | 840          |
|                             | 41,568                      | 0                  | 41,568                  | 41,568       | 0                        | 0            | 2,205                  | 2,230        |

(\*) Self supporting loan financed by payments from third parties.  
All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2014/15

Council raised no new debenture loans during the 2014/15 financial year.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**21. INFORMATION ON BORROWINGS (Continued)**

(c) Unspent Debentures

Council had no unspent debenture loans as at 30 June 2015.

(d) Overdraft

Council established an overdraft facility of \$100,000 in 1997 to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2014 and 30 June 2015 was \$Nil.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**22. RATING INFORMATION - 2014/15 FINANCIAL YEAR**

(a) Rates

| <b>RATE TYPE</b>                             | <b>Rate in \$</b> | <b>Number of Properties</b> | <b>Rateable Value \$</b> | <b>Rate Revenue \$</b> | <b>Interim Rates \$</b> | <b>Back Rates \$</b> | <b>Total Revenue \$</b> | <b>Budget Rate Revenue \$</b> | <b>Budget Interim Rate \$</b> | <b>Budget Back Rate \$</b> | <b>Budget Total Revenue \$</b> |
|--|-------------------|-----------------------------|--------------------------|------------------------|-------------------------|----------------------|-------------------------|-------------------------------|-------------------------------|----------------------------|--------------------------------|
| <b>Differential General Rate</b>             |                   |                             |                          |                        |                         |                      |                         |                               |                               |                            |                                |
| Residential                                  | 5.8277            | 2,906                       | 87,419,000               | 5,114,868              | 36,899                  | 0                    | 5,151,767               | 5,111,000                     | 15,000                        | 0                          | 5,126,000                      |
| Commercial                                   | 9.4752            | 94                          | 11,268,000               | 1,046,082              | 0                       | 0                    | 1,046,082               | 1,046,000                     | 0                             | 0                          | 1,046,000                      |
| <b>Sub-Totals</b>                            |                   | <b>3,000</b>                | <b>98,687,000</b>        | <b>6,160,950</b>       | <b>36,899</b>           | <b>0</b>             | <b>6,197,849</b>        | <b>6,157,000</b>              | <b>15,000</b>                 | <b>0</b>                   | <b>6,172,000</b>               |
| <b>Minimum Rates</b>                         |                   |                             |                          |                        |                         |                      |                         |                               |                               |                            |                                |
| Residential                                  | 881               | 210                         | 3,837,000                | 185,010                | 0                       | 0                    | 185,010                 | 186,000                       | 0                             | 0                          | 186,000                        |
| Commercial                                   | 1087              | 1                           | 15,000                   | 1,087                  | 0                       | 0                    | 1,087                   | 1,000                         | 0                             | 0                          | 1,000                          |
| <b>Sub-Totals</b>                            |                   | <b>211</b>                  | <b>3,852,000</b>         | <b>186,097</b>         | <b>0</b>                | <b>0</b>             | <b>186,097</b>          | <b>187,000</b>                | <b>0</b>                      | <b>0</b>                   | <b>187,000</b>                 |
| <b>Total Amount Raised from General Rate</b> |                   |                             |                          |                        |                         |                      | <b>6,383,946</b>        |                               |                               |                            | <b>6,359,000</b>               |
| <b>Total Rates</b>                           |                   | <b>3,211</b>                | <b>102,539,000</b>       | <b>6,347,047</b>       | <b>36,899</b>           | <b>0</b>             | <b>6,383,946</b>        |                               |                               |                            | <b>6,359,000</b>               |

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**22. RATING INFORMATION - 2014/14 FINANCIAL YEAR (Continued)**

| (b) Information on Surplus/(Deficit)<br>Brought Forward | <b>2015<br/>(30 June 2015<br/>Carried<br/>Forward)<br/>\$</b> | <b>2015<br/>(1 July 2014<br/>Brought<br/>Forward)<br/>\$</b> | <b>2014<br/>(30 June 2014<br/>Carried<br/>Forward)<br/>\$</b> |
|---|---|--|---|
| <b>Surplus/(Deficit) - Rate Setting Statement</b>       | <u>523,436</u>  | <u>250,948</u>   | <u>250,948</u>  |
| <b><u>Comprises:</u></b>                                |   |  |   |
| Cash - Unrestricted                                     | 1,454,753   | 829,364  | 829,364   |
| Cash - Restricted                                       | 1,859,735   | 2,401,563  | 2,401,563   |
| Rates - Current   | 91,371  | 75,990   | 75,990  |
| Sundry Debtors  | 143,543   | 128,617  | 128,617   |
| Loans - Clubs/Institutions                              | 0   | 0  | 0   |
| Accrued Income  | 9,777   | 15,921   | 15,921  |
| Less Provision for Doubtful Debts                       | (600)   | (600)  | (600)   |
| <b>Less:</b>  |   |  |   |
| Reserves - Restricted Cash                              |   |  |   |
| - Staff Leave Reserve                                   | (327,981)   | (474,872)  | (474,872)   |
| - Plant Replacement Reserve                             | (183,372)   | (289,475)  | (289,475)   |
| - Civil Building Reserve                                | (381,663)   | (588,032)  | (588,032)   |
| - HACC Reserve  | (174,702)   | (169,315)  | (169,315)   |
| - Legal Funds Reserve                                   | (131,140)   | (127,096)  | (127,096)   |
| - Strategic Plan Reserve                                | (419,389)   | (581,835)  | (581,835)   |
| - Office Reserve  | (114,968)   | (76,533)   | (76,533)  |
| - Arts Reserve  | (74,515)  | (40,400)   | (40,400)  |
| - Committed Funds Reserve                               | (52,005)  | (54,005)   | (54,005)  |
| Sundry Creditors  | (809,759)   | (372,094)  | (372,094)   |
| Accrued Interest on Debentures                          | 0   | (24)   | (24)  |
| Accrued Salaries and Wages                              | (51,684)  | (73,710)   | (73,710)  |
| Current Employee Benefits Provision                     | (641,946)   | (827,388)  | (827,388)   |
| Less Staff Leave Reserve                                | 327,981   | 474,872  | 474,872   |
| <b>Surplus/(Deficit)</b>                                | <u>523,436</u>  | <u>250,948</u>   | <u>250,948</u>  |

**Difference:**

There was no difference between the Surplus/(Deficit) 1 July 2014 Brought Forward position used in the 2015 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2014 audited financial report.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**23. SPECIFIED AREA RATE - 2014/15 FINANCIAL YEAR**

Council imposed no specified area rates during the 2014/15 financial year.

**24. SERVICE CHARGES - 2014/15 FINANCIAL YEAR**

Council imposed no service charges during the 2014/15 financial year.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS  
- 2014/15 FINANCIAL YEAR**

Council did not grant any discounts, incentives or concessions during the 2014/15 financial year.

**26. INTEREST CHARGES AND INSTALMENTS - 2014/15 FINANCIAL YEAR**

|                                   | Interest<br>Rate<br>% | Admin.<br>Charge<br>\$ | Revenue<br>\$ | Budgeted<br>Revenue<br>\$ |
|-----------------------------------|-----------------------|------------------------|---------------|---------------------------|
| Interest on Unpaid Rates          | 11.00%                |                        | 24,668        | 20,000                    |
| Pensioner Deferred Rates Interest |                       |                        | 3,065         | 2,900                     |
| Interest on Instalments Plan      | 5.50%                 |                        | 33,904        | 32,000                    |
| Charges on Instalment Plan        |                       | 15                     | 35,070        | 35,000                    |
|                                   |                       |                        | 96,707        | 89,900                    |

Ratepayers had the option of paying rates in four equal instalments, due on 26th September 2014, 21st November 2014, 30th January 2015 & 27th March 2015. Administration charges and interest applied for the final three instalments.

| <b>27. FEES &amp; CHARGES</b> | <b>2015<br/>\$</b> | <b>2014<br/>\$</b> |
|-------------------------------|--------------------|--------------------|
| Governance                    | 18,586             | 3,031              |
| General Purpose Funding       | 77,840             | 19,247             |
| Law, Order, Public Safety     | 32,542             | 32,467             |
| Health                        | 10,484             | 9,561              |
| Education and Welfare         | 90,232             | 84,693             |
| Housing                       | 76,816             | 81,607             |
| Community Amenities           | 179,320            | 200,587            |
| Recreation and Culture        | 330,366            | 258,491            |
| Transport                     | 306,056            | 252,722            |
| Economic Services             | 166,020            | 318,267            |
| Other Property and Services   | 19,692             | 17,098             |
|                               | 1,307,954          | 1,277,771          |

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**28. GRANT REVENUE**

Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income:

|   | 2015             | 2014             |
|---|------------------|------------------|
| <b>By Nature and Type:</b>                        | <b>\$</b>        | <b>\$</b>        |
| Operating Grants, Subsidies and Contributions     | 1,252,806        | 916,865          |
| Non-Operating Grants, Subsidies and Contributions | 30,000           | 97,330           |
|   | <u>1,282,806</u> | <u>1,014,195</u> |
| <b>By Program:</b>                                |                  |                  |
| Governance  | 50,000           | 0                |
| General Purpose Funding                           | 352,555          | 106,742          |
| Education and Welfare                             | 804,040          | 727,429          |
| Community Amenities                               | 0                | 7,200            |
| Recreation and Culture                            | 50,486           | 49,168           |
| Transport   | 25,725           | 123,656          |
|   | <u>1,282,806</u> | <u>1,014,195</u> |

**29. ELECTED MEMBERS REMUNERATION**

| 2015 | 2015   | 2014 |
|------|--------|------|
| \$   | Budget | \$   |
|      | \$     |      |

The following fees, expenses and allowances were paid to council members and/or the president.

|  |                |                |                |
|--|----------------|----------------|----------------|
| Meeting Fees - Mayor                             | 24,000         | 24,000         | 16696          |
| Meeting Fees - Councillors (\$14,000 per member) | 106,828        | 112,000        | 89,013         |
| Mayoral Allowance                                | 14,000         | 14,000         | 8,348          |
| Deputy Mayoral Allowance                         | 3,500          | 3,500          | 2,992          |
| Members Telephone & Expenses                     | 25,892         | 27,000         | 18,313         |
|  | <u>174,220</u> | <u>180,500</u> | <u>135,362</u> |

**30. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

| 2015      | 2014      |
|-----------|-----------|
| <u>40</u> | <u>37</u> |

**31. MAJOR LAND TRANSACTIONS**

Council did not participate in any major land transactions during the 2014/15 financial year

**32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

Council did not participate in any trading undertakings or major trading undertakings during the 2014/15 financial year.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**33. FINANCIAL RISK MANAGEMENT**

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

Council 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 area under policies approved by the Council.

The Council held the following financial instruments at balance date:

|                              | Carrying Value   |                  | Fair Value       |                  |
|------------------------------|------------------|------------------|------------------|------------------|
|                              | 2015<br>\$       | 2014<br>\$       | 2015<br>\$       | 2014<br>\$       |
| <b>Financial Assets</b>      |                  |                  |                  |                  |
| Cash and cash equivalents    | 3,314,488        | 3,230,927        | 3,314,488        | 3,230,927        |
| Receivables                  | 327,713          | 297,517          | 327,713          | 297,517          |
|                              | <u>3,642,201</u> | <u>3,528,444</u> | <u>3,642,201</u> | <u>3,528,444</u> |
| <b>Financial Liabilities</b> |                  |                  |                  |                  |
| Payables                     | 861,443          | 445,828          | 861,443          | 445,828          |
| Borrowings                   | 0                | 41,568           | 0                | 41,568           |
|                              | <u>861,443</u>   | <u>487,396</u>   | <u>861,443</u>   | <u>487,396</u>   |

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**33. FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Cash and Cash Equivalents**

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio of Council and has an investment policy which is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

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

Cash and investments are also subject to interest rate risk – the risk that movements in interest rates could affect returns. This risk is ever present with movements in the federal reserve cash rate.

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

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

|   | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|
|   | \$          | \$          |
| Impact of a 10% (*) movement in interest rates on cash and investments interest earnings: |             |             |
| - Equity  | 11,854      | 21,804      |
| - Statement of Comprehensive Income   | 11,854      | 21,804      |

**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.

|  |       |       |
|--|-------|-------|
| Impact of a 1% (*) movement in interest rates on cash and investments interest earnings: |       |       |
| - Equity   | 1,185 | 2,180 |
| - Statement of Comprehensive Income  | 1,185 | 2,180 |



**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**33 FINANCIAL RISK MANAGEMENT (Continued)**

**(b) Receivables**

Council'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. Council manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date to avoid additional charges.

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. Council 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 Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

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

|   | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|
| <b>Percentage of Rates and Annual Charges</b> |             |             |
| - Current                                     | 87.00%      | 91.00%      |
| - Overdue                                     | 13.00%      | 9.00%       |
| <b>Percentage of Other Receivables</b>        |             |             |
| - Current                                     | 70.00%      | 46.00%      |
| - Overdue                                     | 30.00%      | 54.00%      |

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**33. 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. Council 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 drawn upon if required.

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

|            | <u>2015</u>    | Due<br>within<br>1 year<br>\$ | Due<br>between<br>1 & 5 years<br>\$ | Due<br>after<br>5 years<br>\$ | Total<br>contractual<br>cash flows<br>\$ | Carrying<br>values<br>\$ |
|------------|----------------|-------------------------------|-------------------------------------|-------------------------------|--|--------------------------|
| Payables   | 861,443        |                               |                                     |                               | 861,443                                  | 861,443                  |
| Borrowings | 0              | 0                             | 0                                   | 0                             | 0  | 0                        |
|            | <u>861,443</u> | <u>0</u>                      | <u>0</u>                            | <u>0</u>                      | <u>861,443</u>                           | <u>861,443</u>           |
|            |                |                               |                                     |                               |  |                          |
| Payables   | 445,828        |                               |                                     |                               | 445,828                                  | 445,828                  |
| Borrowings | 41,568         | 0                             | 0                                   | 0                             | 41,568                                   | 41,568                   |
|            | <u>487,396</u> | <u>0</u>                      | <u>0</u>                            | <u>0</u>                      | <u>487,396</u>                           | <u>487,396</u>           |

2014

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**33. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables  
Borrowings (Continued)**

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. Council 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:

|   | <b>&lt;1 year</b> | <b>&gt;1&lt;2 years</b> | <b>&gt;2&lt;3 years</b> | <b>&gt;3&lt;4 years</b> | <b>&gt;4&lt;5 years</b> | <b>&gt;5 years</b> | <b>Total</b> | <b>Weighted<br/>Average<br/>Effective<br/>Interest Rate<br/>%</b> |
|---|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------|--------------|---|
|   | <b>\$</b>         | <b>\$</b>               | <b>\$</b>               | <b>\$</b>               | <b>\$</b>               | <b>\$</b>          | <b>\$</b>    |   |
| <b>Year Ended 30 June 2015</b>              |                   |                         |                         |                         |                         |                    |              |   |
| Payables                                    |                   |                         |                         |                         |                         |                    |              |   |
| Borrowings                                  |                   |                         |                         |                         |                         |                    |              |   |
| <b>Fixed Rate</b>                           |                   |                         |                         |                         |                         |                    |              |   |
| Debentures                                  | 0                 | 0                       | 0                       | 0                       | 0                       | 0                  | 0            | 0.00%   |
| Weighted Average<br>Effective Interest Rate | 0.00%             |                         |                         |                         |                         |                    |              |   |
| <b>Year Ended 30 June 2014</b>              |                   |                         |                         |                         |                         |                    |              |   |
| Payables                                    |                   |                         |                         |                         |                         |                    |              |   |
| Borrowings                                  |                   |                         |                         |                         |                         |                    |              |   |
| <b>Fixed Rate</b>                           |                   |                         |                         |                         |                         |                    |              |   |
| Debentures                                  | 41,568            | 0                       | 0                       | 0                       | 0                       | 0                  | 41,568       | 7.11%   |
| Weighted Average<br>Effective Interest Rate | 7.11%             |                         |                         |                         |                         |                    |              |   |

**TOWN OF EAST FREMANTLE  
SUPPLEMENTARY RATIO INFORMATION  
FOR THE YEAR ENDED 30TH JUNE 2015**

**RATIO INFORMATION**

The following information relates to the ratios which only require attestation that they have been checked and are supported by verifiable information. Notwithstanding this information still does form part of the audited financial report.

|                             | <b>2015</b> | <b>2014</b> | <b>2013</b> |
|-----------------------------|-------------|-------------|-------------|
| Asset Consumption Ratio     | <b>79%</b>  | <b>88%</b>  | <b>87%</b>  |
| Asset Renewal Funding Ratio | <b>141%</b> | <b>220%</b> | <b>N/A</b>  |

The above ratios are calculated as follows:

|                         |   |
|-------------------------|---|
| Asset Consumption Ratio | $\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$ |
|-------------------------|---|

|                             |  |
|-----------------------------|--|
| Asset Renewal Funding Ratio | $\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$ |
|-----------------------------|--|

**In keeping with amendments to Local Government (Financial Management) Regulation 50, comparatives for the 2013 year have not been reported as financial information was not available.**



# Anderson Munro & Wyllie

CHARTERED ACCOUNTANTS

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## INDEPENDENT AUDIT REPORT TO THE ELECTORS OF THE TOWN OF EAST FREMANTLE

### Scope

We have audited the financial report of Town of East Fremantle for the year ended 30 June 2015. The financial report comprises the Statement by Chief Executive Officer, Statements of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Rate Setting Statement and accompanying notes to the financial statements.

The Council is responsible for the preparation of a financial report which provides a true and fair view of the financial performance and position of the council in accordance with the Local Government Act 1995, and Regulations. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for accounting policies and estimates inherent to the financial report.

### Audit Approach

We conducted an independent audit of the financial report in order to express an opinion on it to the electors of the Town of East Fremantle. Our audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1995, and Regulations, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and of their performance which is represented by the results of operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining on a test basis, information to provide evidence, supporting the amounts and disclosures in the financial report.
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the directors.

Whilst we considered the effectiveness of managements internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.



### **Independence**

Anderson Munro & Wyllie are independent of the Town of East Fremantle, and have met the independence requirements of Australian professional ethical pronouncements and the Local Government Act 1995.

The audit opinion expressed in this report has been formed on the above basis.

### **Audit Opinion**

In our opinion, the financial statements of the Town of East Fremantle are properly drawn up:

- a) So as to give a true and fair view of the state of affairs of the Shire as at 30 June 2015 and the results of its operations and cash flows for the year then ended;
- b) In accordance with the requirements of the Local Government Act 1995; and
- c) In Accordance with Applicable Australian Accounting Standards.

### **Statutory Compliance**

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

- a) We did not during the course of the audit, become aware of any other instances where the Council did not comply with the requirements of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996.
- b) There were no material or significant adverse trends in financial position or financial management practices revealed during the course of our audit.
- c) We have obtained all necessary information and explanations in relation to our audit.
- d) Our audit procedures were all satisfactorily completed.
- e) In relation to the Supplementary Ratio Information presented at page 55 of this report, we have reviewed the calculations as presented and in our opinion these are:
  - i. Based on verifiable information; and
  - ii. Reasonable assumptions.

Dated the 11<sup>th</sup> day of November 2015 in Perth, Western Australia

**BILLY-JOE THOMAS**  
Director

**ANDERSON MUNRO & WYLLIE**  
Chartered Accountants