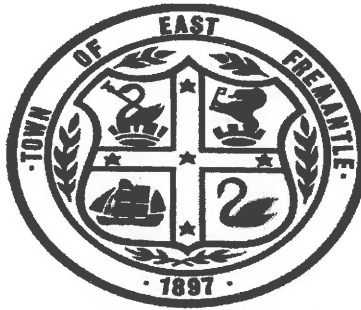




**TOWN OF
EAST FREMANTLE**



**Annual Financial Statements
for the year ended
30 June 2014**



TOWN OF EAST FREMANTLE

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2014

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9 to 54
Supplementary Ratio Information	55
Independent Audit Report	56 & 57

TOWN OF EAST FREMANTLE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

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 2014 are in my opinion properly drawn up to present fairly the financial position of the Town of East Fremantle at 30th June 2014 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 11 day of NOVEMBER 2014



Gary Clark
A/Chief Executive Officer

TOWN OF EAST FREMANTLE
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2014

	NOTE	2014 \$	2014 Budget \$	2013 \$
Revenue				
Rates	22	6,044,466	6,031,000	5,715,246
Operating Grants, Subsidies and Contributions	28	916,865	910,700	1,058,037
Fees and Charges	27	1,277,771	1,130,650	1,302,281
Interest Earnings	2(a)	274,156	166,600	275,761
Other Revenue		270,360	86,950	78,151
		<u>8,783,618</u>	<u>8,325,900</u>	<u>8,429,476</u>
Expenses				
Employee Costs		(2,772,272)	(2,714,000)	(2,511,494)
Materials and Contracts		(3,465,493)	(3,596,750)	(3,591,865)
Utility Charges		(356,435)	(379,900)	(368,472)
Depreciation on Non-Current Assets	2(a)	(947,149)	(878,300)	(888,242)
Interest Expenses	2(a)	(9,260)	(9,720)	(18,674)
Insurance Expenses		(287,094)	(287,900)	(271,519)
Other Expenditure		(278,441)	(106,800)	(142,498)
		<u>(8,116,144)</u>	<u>(7,973,370)</u>	<u>(7,792,764)</u>
		667,474	352,530	636,712
Non-Operating Grants, Subsidies and Contributions				
	28	97,330	139,000	854,562
Fair value adjustments to financial assets at fair value through profit or loss		0	0	(27,056)
Profit on Asset Disposals	20		26,700	55,078
Loss on Asset Disposal	20	(8,954)	0	(3,973)
		<u>(8,954)</u>	<u>0</u>	<u>(3,973)</u>
Net Result		755,850	518,230	1,515,323
Other Comprehensive Income				
Changes on revaluation of assets		9,016,618	0	0
Total Other Comprehensive Income		<u>9,016,618</u>	<u>0</u>	<u>0</u>
Total Comprehensive Income		<u><u>9,772,468</u></u>	<u><u>518,230</u></u>	<u><u>1,515,323</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 2014**

	NOTE	2014 \$	2014 Budget \$	2013 \$
Revenue				
Governance		229,583	7,300	57,691
General Purpose Funding		6,444,611	6,361,100	6,219,567
Law, Order, Public Safety		31,185	22,400	18,261
Health		11,095	12,300	11,097
Education and Welfare		812,422	722,000	735,867
Housing		81,607	72,000	74,172
Community Amenities		224,471	279,900	280,953
Recreation and Culture		322,661	377,900	599,068
Transport		281,956	298,300	281,236
Economic Services		318,199	141,700	125,860
Other Property and Services		25,827	31,000	28,574
	2(b)	<u>8,783,617</u>	<u>8,325,900</u>	<u>8,432,346</u>
Expenses				
Governance		(687,325)	(560,700)	(656,102)
General Purpose Funding		(101,730)	(104,300)	(215,754)
Law, Order, Public Safety		(119,905)	(153,700)	(141,113)
Health		(118,690)	(139,900)	(150,108)
Education and Welfare		(1,002,614)	(1,045,350)	(934,650)
Housing		(38,927)	(38,400)	(52,111)
Community Amenities		(2,181,982)	(2,165,900)	(2,101,115)
Recreation and Culture		(1,451,347)	(1,621,600)	(1,505,667)
Transport		(2,088,329)	(1,896,400)	(1,820,130)
Economic Services		(266,452)	(154,700)	(137,546)
Other Property and Services		(49,583)	(82,700)	(62,664)
	2(b)	<u>(8,106,884)</u>	<u>(7,963,650)</u>	<u>(7,776,960)</u>
Finance Costs				
Governance		(3,133)	(3,150)	(4,768)
Community Amenities		(397)	(400)	(897)
Recreation and Culture		(1,759)	(1,820)	(4,199)
Transport		(3,971)	(4,350)	(8,810)
	2(b)	<u>(9,260)</u>	<u>(9,720)</u>	<u>(18,674)</u>
Fair Value Adjustments to Financial Assets at Fair Value through Profit or Loss				
Other Property and Services		0	0	(27,056)
Non-Operating Grants, Subsidies and Contributions				
Recreation and Culture		0	0	825,000
Transport		97,330	139,000	29,562
		<u>97,330</u>	<u>139,000</u>	<u>854,562</u>
Profit/(Loss) on Disposal of Assets				
Governance		(1,489)	0	(1,102)
Community Amenities		(3,302)	2,500	0
Recreation and Culture		(786)	200	40,336
Transport		(3,376)	24,000	11,871
Economic Services		(8,953)	26,700	51,105
		<u>(8,953)</u>	<u>26,700</u>	<u>51,105</u>
Net Result		755,850	518,230	1,515,323
Other Comprehensive Income		0	0	0
Changes on revaluation of assets		9,016,618	0	0
Total Other Comprehensive Income		9,016,618	0	0
Total Comprehensive Income		9,772,468	518,230	1,515,323

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

**TOWN OF EAST FREMANTLE
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2014**

	NOTE	2014 \$	2013 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	3,230,927	2,944,718
Trade and Other Receivables	4	<u>219,928</u>	<u>213,981</u>
TOTAL CURRENT ASSETS		<u>3,450,855</u>	<u>3,158,699</u>
NON-CURRENT ASSETS			
Other Receivables	4	77,589	86,846
Property, Plant and Equipment	5	16,873,817	7,928,572
Infrastructure	6	<u>15,067,399</u>	<u>14,504,588</u>
TOTAL NON-CURRENT ASSETS		<u>32,018,805</u>	<u>22,520,006</u>
TOTAL ASSETS		<u>35,469,660</u>	<u>25,678,705</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	445,828	392,952
Long Term Borrowings	9	41,568	133,876
Provisions	10	<u>827,388</u>	<u>724,547</u>
TOTAL CURRENT LIABILITIES		<u>1,314,784</u>	<u>1,251,375</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	0	41,568
Provisions	10	<u>31,433</u>	<u>34,787</u>
TOTAL NON-CURRENT LIABILITIES		<u>31,433</u>	<u>76,355</u>
TOTAL LIABILITIES		<u>1,346,217</u>	<u>1,327,730</u>
NET ASSETS		<u>34,123,443</u>	<u>24,350,975</u>
EQUITY			
Retained Surplus		22,705,262	22,065,993
Reserves - Cash Backed	11	2,401,563	2,284,982
Revaluation Surplus	12	<u>9,016,618</u>	<u>0</u>
TOTAL EQUITY		<u>34,123,443</u>	<u>24,350,975</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 2014**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2012		19,822,622	3,013,030	0	22,835,652
Restated Balance		19,822,622	3,013,030	0	22,835,652
Comprehensive Income					
Net Result		1,515,323	0	0	1,515,323
Changes on Revaluation of Non-Current Assets	12	0	0	0	0
Total Comprehensive Income		1,515,323	0	0	1,515,323
Reserve Transfers		728,048	(728,048)	0	0
Balance as at 30 June 2013		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 Other Comprehensive Income		755,850	0	9,016,618	9,772,468
Reserve Transfers		0		0	0
Balance as at 30 June 2014		22,705,262	2,401,563	9,016,618	34,123,443

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 2014**

	NOTE	2014 \$	2014 Budget \$	2013 \$
Cash Flows From Operating Activities				
Receipts				
Rates		6,055,491	6,031,000	5,681,453
Operating Grants, Subsidies and Contributions		916,865	910,700	1,058,037
Fees and Charges		824,217	960,600	1,990,641
Interest Earnings		274,156	166,600	275,761
Goods and Services Tax		438,949	240,500	644,278
Other Revenue		270,360	86,950	75,876
		<u>8,780,038</u>	<u>8,396,350</u>	<u>9,726,046</u>
Payments				
Employee Costs		(2,661,911)	(2,714,000)	(2,342,291)
Materials and Contracts		(3,305,559)	(3,573,650)	(4,797,734)
Utility Charges		(356,436)	(379,900)	(368,472)
Insurance Expenses		(287,094)	(287,900)	(271,519)
Interest expenses		19,392	(9,720)	(18,674)
Goods and Services Tax		(142,187)	(213,800)	(247,813)
Other Expenditure		(278,441)	(133,500)	(142,498)
		<u>(7,012,236)</u>	<u>(7,312,470)</u>	<u>(8,189,001)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>1,767,802</u>	<u>1,083,880</u>	<u>1,537,045</u>
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment		(491,985)	(2,251,200)	(664,830)
Payments for Construction of Infrastructure		(989,417)	(1,117,900)	(2,309,372)
Transfer of Trust Cash from Municipal Non-cash Contribution				0
Non-Operating Grants, Subsidies and Contributions		97,330	139,000	854,562
Proceeds from Sale of Plant & Equipment		33,861	60,000	69,562
		<u>33,861</u>	<u>60,000</u>	<u>69,562</u>
Net Cash Provided By (Used In) Investing Activities		<u>(1,350,211)</u>	<u>(3,170,100)</u>	<u>(2,050,078)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(133,876)	(133,870)	(152,430)
Proceeds from Self Supporting Loans		2,494	2,490	4,768
Proceeds from New Debentures		0	1,200,000	0
		<u>0</u>	<u>1,200,000</u>	<u>0</u>
Net Cash Provided By (Used In) Financing Activities		<u>(131,382)</u>	<u>1,068,620</u>	<u>(147,662)</u>
Net Increase (Decrease) in Cash Held		286,209	(1,017,600)	(660,695)
Cash at Beginning of Year		2,944,718	3,452,400	3,605,413
Cash and Cash Equivalents at the End of the Year	13(a)	<u><u>3,230,927</u></u>	<u><u>2,434,800</u></u>	<u><u>2,944,718</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 2014**

	NOTE	2014 Actual \$	2014 Budget \$	2013 Actual \$
Revenue				
Governance		229,991	7,300	504,321
General Purpose Funding		400,145	330,100	57,691
Law, Order, Public Safety		31,185	22,400	18,261
Health		11,095	12,300	11,097
Education and Welfare		812,422	722,000	735,867
Housing		81,607	72,000	74,172
Community Amenities		224,471	282,400	280,953
Recreation and Culture		322,661	378,100	1,464,404
Transport		379,286	461,300	322,669
Economic Services		318,199	141,700	125,860
Other Property and Services		25,827	31,000	28,574
		<u>2,836,889</u>	<u>2,460,600</u>	<u>3,623,869</u>
Expenses				
Governance		(692,355)	(563,850)	(661,972)
General Purpose Funding		(101,730)	(104,300)	(242,810)
Law, Order, Public Safety		(119,905)	(153,700)	(141,113)
Health		(118,690)	(139,900)	(150,108)
Education and Welfare		(1,002,614)	(1,045,350)	(934,650)
Housing		(38,927)	(38,400)	(52,111)
Community Amenities		(2,185,681)	(2,166,300)	(2,102,012)
Recreation and Culture		(1,453,892)	(1,623,420)	(1,509,866)
Transport		(2,095,676)	(1,900,750)	(1,828,941)
Economic Services		(266,452)	(154,700)	(137,546)
Other Property and Services		(49,583)	(82,700)	(62,664)
		<u>(8,125,505)</u>	<u>(7,973,370)</u>	<u>(7,823,793)</u>
Net Result Excluding Rates		(5,288,616)	(5,512,770)	(4,199,924)
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
Initial Recognition of Assets Due to Change to Regulations				
- Plant & Equipment		0	0	27,056
- Intangibles				
(Profit)/Loss on Asset Disposals	20	(8,954)	(26,700)	(51,105)
Movement in Deferred Pensioner Rates (Non-Current)		9,257	0	3,573
Movement in Employee Benefit Provisions		(19,020)	0	(93,863)
Depreciation and Amortisation on Assets	2(a)	947,149	878,300	888,242
Capital Expenditure and Revenue				
Purchase Land and Buildings		(350,194)	(1,978,000)	(380,191)
Purchase Infrastructure Assets		(989,417)	(1,117,900)	(2,309,372)
Purchase Plant and Equipment		(92,312)	(199,500)	(198,920)
Purchase Furniture and Equipment		(49,479)	(73,700)	(85,719)
Proceeds from Disposal of Assets	20	33,861	60,000	69,562
Repayment of Debentures	21	(133,876)	(133,870)	(152,430)
Proceeds from New Debentures	21	0	1,200,000	0
Self-Supporting Loan Principal Income		2,494	2,490	4,768
Transfers to Reserves (Restricted Assets)	11	(1,590,788)	(1,234,000)	(1,256,234)
Transfers from Reserves (Restricted Assets)	11	1,474,207	1,970,100	1,984,282
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	262,170	134,550	297,199
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	250,948	0	262,170
Total Amount Raised from General Rate	22(a)	<u>(6,044,466)</u>	<u>(6,031,000)</u>	<u>(5,715,246)</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 2014**

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 2014**

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.

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.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

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.

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

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

Initial Recognition 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 2014**

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.

Transitional Arrangements

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

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

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

Early Adoption of AASB 13 - Fair Value Measurement

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

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

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 2014**

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 years (2.5%)
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 2014

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 2014

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 2014**

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 2014

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 2014

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 2014

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

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 2014**

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 2014**

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 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, 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 yet been adopted are set out as follows:

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i) AASB 9 – Financial Instruments	December 2013	1 January 2017	Nil – The objective of this Standard is to improve and approach for classification and measurement of financial compared with the requirements of AASB 139. Given the financial assets of the Council, it is not anticipated will have any material effect.
(ii) AASB 2010 -7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	December 2013	1 January 2017	Nil - The revisions embodied in this standard give effect consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the 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 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iii) AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entities] [AASB 1, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 131, 132, 133, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	December 2012	1 January 2014	Consequential changes to various standards arising issuance of AASB 10, 11, 12, 127 and 128. It is not expected to have a significant impact on
(iv) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	June 2012	1 January 2014	This Standard adds application guidance to AASB 132: Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of 132, including clarifying the meaning of "currently has a enforceable right of set-off" and that some gross systems may be considered equivalent to net settlement. This Standard is not expected to significantly impact the Council's financial statements.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(v) AASB 2013 - 3: Amendments to AASB 136 -	June 2013	1 January 2014	This standard makes amendments to AASB 136 and It is not expected to have a significant impact on
(vi) AASB 2013-8: Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049]	October 2013	1 January 2014	This standard adds Appendix E to AASB 10 to provide implementation guidance for Not-for-Profit entities control criteria from the perspective of not-for-profit It is not expected to have a significant impact on
(vii) AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part A Conceptual Framework – 20 December 2013; Part B Materiality – 1 January 2014; Part C Financial Instruments – 1 January 2015]	December 2013	Refer Title column	Part A of this standard makes various editorial Australian Accounting Standards. Part B of this standard deletes references to AASB 1031 various Australian Accounting Standards in advance of withdrawal of AASB 1031. Part C of this standard makes consequential AASB 9 and numerous other standards and amends the permissions around certain applications relating to liabilities reissued at fair value. As the bulk of changes related either to editorial or changes it is not expected to have a significant impact Council.

Notes:

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Most of the standards adopted had a minimal effect on the accounting and reporting practices of the 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 2014**

2. REVENUE AND EXPENSES

2014
\$

2013
\$

(a) Net Result

The Net Result includes:

(i) Charging as an Expense:

Auditors Remuneration

- Audit of the financial report	13,075	20,338
- Other Services	2,100	2,400

Depreciation

Buildings	299,114	291,504
Furniture and Equipment	31,714	10,467
Plant and Equipment	189,715	223,322
Infrastructure	426,606	362,949
	<u>947,149</u>	<u>888,242</u>

Interest Expenses (Finance Costs)

Debentures (<i>refer Note 21(a)</i>)	9,260	18,674
	<u>9,260</u>	<u>18,674</u>

Reimbursements and Recoveries

	<u>27,425</u>	<u>29,150</u>
	<u>27,425</u>	<u>29,150</u>

(ii) Crediting as Revenue:

	2014 \$	2014 Budget \$	2013 \$
Interest Earnings			
Investments			
- Reserve Funds	87,034	61,000	118,877
- Other Funds	95,831	50,000	66,169
Other Interest Revenue (<i>refer note 26</i>)	91,291	55,600	90,715
	<u>274,156</u>	<u>166,600</u>	<u>275,761</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

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 2014**

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions		Opening Balance (*) 1-Jul-12 \$	Received (+) 2012/13 \$	Expended (#) 2012/13 \$	Closing Balance (*) 30-Jun-13 \$	Received (+) 2013/14 \$	Expended (#) 2013/14 \$	Closing Balance 30-Jun-14 \$
Grant/Contribution	Function/ Activity							
Grip on Graffiti	5	15,600	20,000	(35,600)	0	0	0	0
Cat Act Grant	5	0	2,935	(2,761)	174	0	(174)	0
HACC Capital Grant	8	14,600	0	(10,000)	4,600	0	(4,600)	0
Dept of Environ Recycle Grant	10	0	40,000	0	40,000	0	(40,000)	0
Dept Sport EF Oval Redevelopme	11	0	50,000	0	50,000	0	0	50,000
Kidsport Grant	11	14,155	0	(5,317)	8,838	0	(4,833)	4,005
MR Blackspot PP Road R/bout	12	133,719	0	(133,719)	0	0	0	0
Total		178,074	112,935	(187,397)	103,612	0	(49,607)	54,005

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 2014**

	2014	2013
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	829,364	659,736
Restricted	<u>2,401,563</u>	<u>2,284,982</u>
	<u><u>3,230,927</u></u>	<u><u>2,944,718</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Staff Leave Reserve	474,872	456,652
Plant Replacement Reserve	289,475	239,326
Civil Building Reserve	588,032	756,450
HACC Reserve	169,315	162,819
Legal Funds Reserve	127,096	122,220
Strategic Plan Reserve	581,835	366,652
Office Reserve	76,533	73,693
Arts & Sculpture Reserve	40,400	3,558
Unspent Grants	54,005	103,612
	<u><u>2,401,563</u></u>	<u><u>2,284,982</u></u>
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	75,990	77,745
Sundry Debtors	128,617	126,873
Accrued Income ESL	15,921	7,469
Loans - Clubs/Institutions	0	2,494
Less Provision for Doubtful Debts	<u>(600)</u>	<u>(600)</u>
	<u><u>219,928</u></u>	<u><u>213,981</u></u>
Non-Current		
Rates Outstanding - Pensioners	77,589	86,846
Loans - Clubs/Institutions	0	0
	<u><u>77,589</u></u>	<u><u>86,846</u></u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

	2014 \$	2013 \$
5. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings		
Freehold Land at:		
- Independent Valuation 2014	3,992,000	0
- Cost	<u>0</u>	<u>490,000</u>
	3,992,000	490,000
Land Under Control at:		
- Independent Valuation 2014	0	0
Total Land	<u>3,992,000</u>	<u>490,000</u>
Buildings at:		
- Independent Valuation 2014	12,165,000	0
- Cost	0	11,613,530
Less Accumulated Depreciation	<u>0</u>	<u>(5,014,228)</u>
Total Buildings	12,165,000	6,599,302
Total Land and Buildings	<u>16,157,000</u>	<u>7,089,302</u>
Furniture and Equipment		
- Management Valuation 2013	112,157	315,144
- Additions after Valuation - Cost	49,479	0
- Disposal after Valuation	(1,928)	0
Less Accumulated Depreciation	<u>(31,714)</u>	<u>(202,988)</u>
	127,994	112,156
Plant and Equipment		
- Management Valuation 2013	727,113	1,839,907
- Additions after Valuation - Cost	92,312	0
- Disposal after Valuation	(40,887)	0
Less Accumulated Depreciation	(189,715)	(1,085,738)
Impairment (losses)	<u>0</u>	<u>(27,056)</u>
	588,823	727,113
	<u>16,873,817</u>	<u>7,928,571</u>

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 2014**

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 (Level 2) \$	Non- Specialised Buildings (Level 2) \$	Specialised Buildings (Level 3) \$	Total Buildings \$	Total Land and Buildings \$	Plant and Equipment (Level 2) \$	Furniture and Equipment (Level 3) \$	Total \$
Balance as at the beginning of the year	490,000	723,682	5,875,620	6,599,302	7,089,302	727,113	112,157	7,928,572
Additions	0	0	350,194	350,194	350,194	92,312	49,479	491,985
Revaluation-Increment -Decrement	3,502,000	512,403	5,002,215	5,514,618	9,016,618	0	0	9,016,618
(Disposals)	0	0	0	0	0	(107,299)	(32,907)	(140,206)
Depreciation (Disposals)	0	0	0	0	0	66,412	30,979	97,391
Depreciation (Expense)	0	(30,085)	(269,029)	(299,114)	(299,114)	(189,715)	(31,714)	(520,543)
Impairment (losses)								0
Carrying amount at the end of year	3,992,000	1,206,000	10,959,000	12,165,000	16,157,000	588,823	127,994	16,873,817

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

	2014	2013
	\$	\$
6. INFRASTRUCTURE		
Roads - Cost	8,920,057	8,698,818
Less Accumulated Depreciation	<u>(2,056,250)</u>	<u>(1,864,256)</u>
	6,863,807	6,834,562
Reserves - Cost	785,189	785,189
Less Accumulated Depreciation	<u>(204,163)</u>	<u>(185,140)</u>
	581,026	600,049
Rivers - Cost	181,011	181,011
Less Accumulated Depreciation	<u>(73,312)</u>	<u>(68,827)</u>
	107,699	112,184
Footpaths - Cost	3,753,818	3,351,085
Less Accumulated Depreciation	<u>(693,759)</u>	<u>(618,987)</u>
	3,060,059	2,732,098
Signs - Cost	85,453	85,453
Less Accumulated Depreciation	<u>(76,924)</u>	<u>(76,617)</u>
	8,529	8,836
Irrigation - Cost	359,564	359,564
Less Accumulated Depreciation	<u>(205,344)</u>	<u>(189,720)</u>
	154,220	169,844
Parks - Cost	1,436,970	1,224,532
Less Accumulated Depreciation	<u>(291,683)</u>	<u>(252,176)</u>
	1,145,287	972,356
Car Parks - Cost	1,982,386	1,961,586
Less Accumulated Depreciation	<u>(185,306)</u>	<u>(138,188)</u>
	1,797,080	1,823,398
Drainage - Cost	1,470,495	1,345,488
Less Accumulated Depreciation	<u>(189,002)</u>	<u>(156,886)</u>
	1,281,493	1,188,602
Bus Shelters - Cost	72,993	65,793
Less Accumulated Depreciation	<u>(4,794)</u>	<u>(3,134)</u>
	68,199	62,659
	<u>15,067,399</u>	<u>14,504,588</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

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.

	Roads \$	Footpaths \$	Drainage \$	Reserves Irrigation Parks \$	Rivers \$	Car Parks Signs Bus Shelters \$	Total \$
Balance at the beginning of the year	7,210,027	2,356,633	1,188,601	1,782,122	112,184	1,855,021	14,504,588
Additions	221,238	402,734	125,007	212,438	0	28,000	989,417
Revaluation-Increment -Decrement							
Depreciation (Expense)	(191,995)	(74,773)	(32,117)	(74,154)	(4,484)	(49,083)	(426,606)
Carrying amount at the end of year	7,239,270	2,684,594	1,281,491	1,920,406	107,700	1,833,938	15,067,399

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

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

	2014	2013
	\$	\$
Current		
Sundry Creditors	293,680	275,933
Accrued Interest on Debentures & Expenses	78,438	49,786
Accrued Salaries and Wages	73,710	62,836
Contract Retention	0	4,397
	<u>445,828</u>	<u>392,952</u>

9. LONG-TERM BORROWINGS

Current		
Secured by Floating Charge		
Debentures	41,568	133,876
	<u>41,568</u>	<u>133,876</u>
Non-Current		
Secured by Floating Charge		
Debentures	0	41,568
	<u>0</u>	<u>41,568</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 2014

10. PROVISIONS	2014	2013
	\$	\$
Analysis of Total Provisions		
Current	827,388	724,547
Non-Current	<u>31,433</u>	<u>34,787</u>
	<u><u>858,821</u></u>	<u><u>759,334</u></u>
	Provision for Annual Leave \$	Provision for Long Service Leave \$
	\$	\$
Opening balance as at 1 July 2013	366,417	392,917
Additional provisions	<u>47,963</u>	<u>51,524</u>
Balance at 30 June 2014	<u><u>414,380</u></u>	<u><u>444,441</u></u>
	2014	2014
	\$	Budget
		\$
11. RESERVES - CASH BACKED		
(a) Plant Replacement Reserve		
Opening Balance	239,326	239,300
Amount Set Aside / Transfer to Reserve	142,449	141,200
Amount Used / Transfer from Reserve	<u>(92,300)</u>	<u>(139,500)</u>
	<u>289,475</u>	<u>239,326</u>
(b) Staff Leave Reserve		
Opening Balance	456,652	456,700
Amount Set Aside / Transfer to Reserve	18,220	14,500
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>
	<u>474,872</u>	<u>456,652</u>
(c) Office Reserve		
Opening Balance	73,693	73,700
Amount Set Aside / Transfer to Reserve	52,340	50,400
Amount Used / Transfer from Reserve	<u>(49,500)</u>	<u>(73,700)</u>
	<u>76,533</u>	<u>73,693</u>
(d) Legal Costs Reserve		
Opening Balance	122,220	122,200
Amount Set Aside / Transfer to Reserve	4,876	3,900
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>
	<u>127,096</u>	<u>122,220</u>

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

11. RESERVES - CASH BACKED (Continued)

	2014 \$	2014 Budget \$	2013 \$
(e) HACC Reserve			
Opening Balance	162,819	162,800	156,150
Amount Set Aside / Transfer to Reserve	6,496	5,200	6,669
Amount Used / Transfer from Reserve	0	0	0
	<u>169,315</u>	<u>168,000</u>	<u>162,819</u>
(f) Strategic Plan Reserve			
Opening Balance	366,652	366,700	788,464
Amount Set Aside / Transfer to Reserve	1,139,483	802,200	786,477
Amount Used / Transfer from Reserve	(924,300)	(932,400)	(1,208,289)
	<u>581,835</u>	<u>236,500</u>	<u>366,652</u>
(g) Civic Building Reserve			
Opening Balance	756,450	756,500	959,278
Amount Set Aside / Transfer to Reserve	181,782	170,100	177,363
Amount Used / Transfer from Reserve	(350,200)	(778,000)	(380,191)
	<u>588,032</u>	<u>148,600</u>	<u>756,450</u>
(h) Arts & Sculpture Reserve			
Opening Balance	3,558	3,600	45,000
Amount Set Aside / Transfer to Reserve	45,142	46,500	1,922
Amount Used / Transfer from Reserve	(8,300)	(46,500)	(43,364)
	<u>40,400</u>	<u>3,600</u>	<u>3,558</u>
(i) Committed Funds Reserve			
Opening Balance	103,612	178,074	178,074
Amount Set Aside / Transfer to Reserve	0	0	59,257
Amount Used / Transfer from Reserve	(49,607)	(135,000)	(133,719)
	<u>54,005</u>	<u>43,074</u>	<u>103,612</u>
TOTAL CASH BACKED RESERVES	<u>2,401,563</u>	<u>1,488,474</u>	<u>2,284,982</u>

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.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

11. RESERVES - CASH BACKED (Continued)

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

2014

2013

\$

\$

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

Land & Building (see Note 5)

9,016,618

0

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

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:

	2014 \$	2014 Budget \$	2013 \$
Cash and Cash Equivalents	<u>3,230,927</u>	<u>2,434,800</u>	<u>2,944,718</u>

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

Net Result	755,850	518,230	1,515,323
Depreciation	947,149	878,300	888,242
(Profit)/Loss on Sale of Asset	8,954	(26,700)	(51,105)
(Increase)/Decrease in Receivables	816	(170,050)	415,089
Increase/(Decrease) in Payables	52,876	0	(559,154)
Increase/(Decrease) in Employee Provisions	99,487	23,100	156,156
Grants/Contributions for the Development of Assets	(97,330)	(139,000)	(854,562)
Non-Current Assets recognised due to changes in legislative requirements	<u>0</u>	<u>0</u>	<u>27,056</u>
Net Cash from Operating Activities	<u>1,767,802</u>	<u>1,083,880</u>	<u>1,537,045</u>

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

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

Loan Facilities

Loan Facilities - Current	41,568		133,876
Loan Facilities - Non-Current	<u>0</u>		<u>41,568</u>
Total Facilities in Use at Balance Date	<u>41,568</u>		<u>175,444</u>

Unused Loan Facilities at Balance Date	<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 2014**

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 3.12% (3.30%).

The SMRC Loan Liability as at 30 June 2014 is \$29,961,623 (\$32,148,907) with the Council's share of this liability being \$934,803 (\$1,060,914).

Council's annual contribution towards the repayment of interest and principal was \$121,109 (\$124,711) and this is reflected in operating expenditure.

(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 SMRC Loan Liability as at 30 June 2014, is unchanged at \$1,800,000 with the Council's share of this liability being \$49,320 (\$52,560).

15. CAPITAL AND LEASING COMMITMENTS

	2014	2013
	\$	\$

(a) Finance Lease Commitments

Nil

(b) Operating Lease Commitments

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

Payable:

- not later than one year

Konica Minolta

Isis Capital

Canon Finance

	0	0
	0	0
	0	0
	0	0
	0	0

(c) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

Preston Point Rd/Pier St Roundabout

Leeuwin Boat Ramp & Car Park

	0	0
	0	0

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

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 \$1,892,203 (\$1,620,002) net assets of the SMRC (excluding the RRRC project) as at 30 June 2014 was

	2014	2013
Interest in net Assets	\$ 51,846	47,304
Cost/profit sharing ratio	2.74%	2.92%

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 \$16,251,682 (\$14,881,966) shared equity of the Joint Venture as at 30 June 2014;

	2014	2013
Share of Equity	\$ 507,052	491,106
Cost/profit sharing ratio	3.12%	3.30%

(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 2014 was:

	2014	2013
Share of Equity	\$ 15,313	13,472
Cost/profit sharing ratio	7.38%	7.38%

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2014	2013
	\$	\$
Governance	6,197,467	4,504,842
Health	35,873	35,141
Education and Welfare	977,150	912,886
Housing	260,970	288,377
Community Amenities	613,447	1,249,346
Recreation and Culture	10,064,638	5,274,108
Transport	12,706,824	12,449,609
Other Property and Services	4,613,291	964,396
	<u>35,469,660</u>	<u>25,678,705</u>

18. FINANCIAL RATIOS	2014	2013	2012
Current Ratio	1.25	1.10	0.98
Asset Sustainability Ratio	1.48	3.35	2.67
Debt Service Cover Ratio	11.28	9.16	10.67
Operating Surplus Ratio	0.08	0.09	0.13
Own Source Revenue Coverage Ratio	0.97	0.95	1.00

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 2014**

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 1-Jul-13 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-14 \$
Development	636,481	156,345	(287,185)	505,641
Mooring Pens	72,951	24,799	(22,560)	75,190
Other	52,037	4,385	(4,610)	51,812
Transport Tramway Funds*	203,049	6,505	(209,554)	0
Unclaimed	309	7,141	0	7,450
	964,827	199,175	(523,909)	640,093

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

20. DISPOSALS OF ASSETS - 2013/14 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Administration						
Various Office Equipment	1,928	0	438	0	(1,490)	0
Community Services						
Nissan Dualis	15,121	12,000	11,818	14,500	(3,302)	2,500
Recreation & Culture						
Toro Mower	6,936	7,300	6,150	7,500	(786)	200
Transport						
Depot Equipment	200	0	0	0	(200)	0
Mitsubishi Triton Ute	8,724	7,000	8,182	10,000	(542)	3,000
Ford Falcon Ute	9907	7000	7,273	10,000	(2,634)	3,000
Wheel Loader	0	0	0	18,000	0	18,000
	42,816	33,300	33,861	60,000	(8,954)	26,700

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1-Jul-13 \$	New Loans \$	Principal Repayments		Principal Outstanding		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Administration								
Organisational Reform - 179	50,207		24,227	24,230	25,980	25,977	3,132	3,150
Community Amenities								
George St Beautification - 173	7,682		7,682	7,680	0	2	397	400
Recreation & Culture								
*East Fremantle Bowling - 167	2,494		2,494	2,490	0	4	13	80
Foreshore/ Landscaping - 169	14,340		14,340	14,340	0	0	741	740
Playground Equipment - 171	8,195		8,195	8,190	0	5	423	420
Automatic Reticulation - 175	11,267		11,267	11,270	0	(3)	582	580
Transport								
Footpath Construction -168	15,365		15,365	15,360	0	5	794	790
Construction Works - 170	6,965		6,965	6,970	0	(5)	360	360
Local Area Traffic Manage - 174	5,122		5,122	5,120	0	2	265	260
Road & Footpath Const - 178	30,124		14,536	14,540	15,588	15,584	1,880	1,890
Road & Footpath Const - 184	23,683		23,683	23,680	0	3	673	1,050
	175,444	0	133,876	133,870	41,568	41,574	9,260	9,720

(*) Self supporting loan financed by payments from third parties.

All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2013/14

Council raised no new debenture loans during the 2013/14 financial year.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

21. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Debentures

Council had no unspent debenture loans as at 30 June 2014.

(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 2013 and 30 June 2014 was \$Nil.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

22. RATING INFORMATION - 2013/14 FINANCIAL YEAR

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential General Rate											
Residential	7.1277	3,115	68,355,386	4,872,167	10,460	141	4,882,768	4,840,000	15,000		4,855,000
Commercial	10.3128	104	9,908,893	1,021,884	(14,562)		1,007,322	1,022,000			1,022,000
Sub-Totals		3,219	78,264,279	5,894,051	(4,102)	141	5,890,090	5,862,000	15,000	0	5,877,000
Minimum Rates											
Residential	839	184	1,832,410	154,376			154,376	154,000			154,000
Commercial							0	0			0
Sub-Totals		184	1,832,410	154,376	0	0	154,376	154,000	0	0	154,000
Total Amount Raised from General Rate							6,044,466				6,031,000
Total Rates							6,044,466				6,031,000
							6,044,466				6,031,000

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

22. RATING INFORMATION - 2013/14 FINANCIAL YEAR (Continued)

(b) Information on Surplus/(Deficit) Brought Forward	2014 (30 June 2014 Carried Forward) \$	2014 (1 July 2013 Brought Forward) \$	2013 (30 June 2013 Carried Forward) \$
Surplus/(Deficit) - Rate Setting Statement	<u>250,948</u>	<u>262,170</u>	<u>262,170</u>
<u>Comprises:</u>			
Cash - Unrestricted	829,364	659,736	659,736
Cash - Restricted	2,401,563	2,284,982	2,284,982
Rates - Current	75,990	77,745	77,745
Sundry Debtors	128,617	126,873	126,873
Loans - Clubs/Institutions	0	2,494	2,494
Accrued Income	15,921	7,469	7,469
Less Provision for Doubtful Debts	(600)	(600)	(600)
Less:			
Reserves - Restricted Cash			
- Staff Leave Reserve	(474,872)	(456,652)	(456,652)
- Plant Replacement Reserve	(289,475)	(239,326)	(239,326)
- Civil Building Reserve	(588,032)	(756,450)	(756,450)
- HACC Reserve	(169,315)	(162,819)	(162,819)
- Legal Funds Reserve	(127,096)	(122,220)	(122,220)
- Strategic Plan Reserve	(581,835)	(366,652)	(366,652)
- Office Reserve	(76,533)	(73,693)	(73,693)
- Arts Reserve	(40,400)	(3,558)	(3,558)
- Committed Funds Reserve	(54,005)	(103,612)	(103,612)
Sundry Creditors	(372,094)	(275,933)	(275,933)
Accrued Interest on Debentures	(24)	(486)	(486)
Accrued Salaries and Wages	(73,710)	(62,836)	(62,836)
Retention Monies Held	0	(4,397)	(4,397)
Current Employee Benefits Provision	(827,388)	(724,547)	(724,547)
Less Staff Leave Reserve	474,872	456,652	456,652
Surplus/(Deficit)	<u>250,948</u>	<u>262,170</u>	<u>262,170</u>

Difference:

There was no difference between the Surplus/(Deficit) 1 July 2013 Brought Forward position used in the 2014 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2013 audited financial report.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

23. SPECIFIED AREA RATE - 2013/14 FINANCIAL YEAR

Council imposed no specified area rates during the 2013/14 financial year.

24. SERVICE CHARGES - 2013/14 FINANCIAL YEAR

Council imposed no service charges during the 2013/14 financial year.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2013/14 FINANCIAL YEAR**

Council did not grant any discounts, incentives or concessions during the 2013/14 financial year.

26. INTEREST CHARGES AND INSTALMENTS - 2013/14 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		20,988	20,000
Pensioner Deferred Rates Interest			2,869	3,600
Interest on Instalments Plan	5.50%		32,259	32,000
Charges on Instalment Plan		15	35,175	35,000
			91,291	90,600

Ratepayers had the option of paying rates in four equal instalments, due on 26th September 2013, 21st November 2013, 30th January 2014 & 27th March 2014. Administration charges and interest applied for the final three instalments.

27. FEES & CHARGES	2014 \$	2013 \$
Governance	3,031	1,680
General Purpose Funding	19,247	76,462
Law, Order, Public Safety	32,467	14,926
Health	9,561	9,097
Education and Welfare	84,693	82,984
Housing	81,607	74,172
Community Amenities	200,587	214,663
Recreation and Culture	258,491	492,876
Transport	252,722	195,451
Economic Services	318,267	125,918
Other Property and Services	17,098	14,052
	1,277,771	1,302,281

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 2014**

28. GRANT REVENUE

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

	2014	2013
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	916,865	1,058,037
Non-Operating Grants, Subsidies and Contributions	97,330	854,562
	<u>1,014,195</u>	<u>1,912,599</u>
By Program:		
Governance	0	15,208
General Purpose Funding	106,742	228,506
Law, Order, Public Safety	0	3,335
Education and Welfare	727,429	652,356
Community Amenities	7,200	66,290
Recreation and Culture	49,168	895,007
Transport	123,656	51,897
	<u>1,014,195</u>	<u>1,912,599</u>

29. ELECTED MEMBERS REMUNERATION

2014	2014	2013
\$	Budget	\$
	\$	

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

Meeting Fees	105,709	124,000	70,000
Mayoral Allowance	8,348	12,000	12,000
Deputy Mayoral Allowance	2,992	3,000	3,000
Members Telephone & Expenses	18,313	21,780	20,836
	<u>135,362</u>	<u>160,780</u>	<u>105,836</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

2014	2013
<u>37</u>	<u>37</u>

31. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2013/14 financial year

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2013/14 financial year.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

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	
	2014	2013	2014	2013
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	3,230,927	2,944,718	3,230,927	2,944,718
Receivables	297,517	300,827	297,517	300,827
	<u>3,528,444</u>	<u>3,245,545</u>	<u>3,528,444</u>	<u>3,245,545</u>
Financial Liabilities				
Payables	445,828	392,952	445,828	392,952
Borrowings	41,568	175,444	41,568	170,504
	<u>487,396</u>	<u>568,396</u>	<u>487,396</u>	<u>563,456</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

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.

	2014 \$	2013 \$
Impact of a 10% (*) movement in interest rates on cash and investments:		
- Equity	21,799	38,627
- Statement of Comprehensive Income	21,799	38,627

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:		
- Equity	2,180	3,863
- Statement of Comprehensive Income	2,180	3,863

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

34. 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:

	2014	2013
Percentage of Rates and Annual Charges		
- Current	91.00%	65.00%
- Overdue	9.00%	35.00%
Percentage of Other Receivables		
- Current	46.00%	77.00%
- Overdue	54.00%	23.00%

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

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>2014</u>	<u>2013</u>	
	Due within 1 year \$	Due between 1 & 5 years \$	
	Due after 5 years \$	Total contractual cash flows \$	
	Carrying values \$		
Payables	445,828	445,828	445,828
Borrowings	41,568	0	41,568
	<u>487,396</u>	<u>0</u>	<u>487,396</u>
Payables	392,952	392,952	392,952
Borrowings	133,876	41,568	175,444
	<u>526,828</u>	<u>41,568</u>	<u>568,396</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

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:

	<u>Year Ended 30 June 2014</u>					<u>Weighted Average Effective Interest Rate %</u>	
	<u><1 year \$</u>	<u>>1<2 years \$</u>	<u>>2<3 years \$</u>	<u>>3<4 years \$</u>	<u>>4<5 years \$</u>	<u>>5 years \$</u>	<u>Total \$</u>
Payables							
Borrowings							
Fixed Rate							
Debtentures	41,568	0	0	0	0	0	41,568
Weighted Average Effective Interest Rate	7.11%						7.11%
<u>Year Ended 30 June 2013</u>							
Payables							
Borrowings							
Fixed Rate							
Debtentures	133,876	41,568	0	0	0	0	175,444
Weighted Average Effective Interest Rate	6.59%	7.11%					6.83%

**TOWN OF EAST FREMANTLE
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2014**

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.

	2014	2013	2012
Asset Consumption Ratio	88%	87%	N/A
Asset Renewal Funding Ratio	220%	N/A	N/A

The above ratios are calculated as follows:

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

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

In keeping with amendments to Local Government (Financial Management) Regulation 50, comparatives for the two preceding years (being 2013 and 2012) have not been reported as financial information is not available.

The Town has not completed fair value activities in all of the assets classes at 30 June 2014, therefore where applicable ratio's have been calculated including assets not yet at fair value.



Anderson Munro & Wyllie

CHARTERED ACCOUNTANTS

Street Address:

Unit 8
210 Winton Road
JOONDALUP WA 6027

Postal Address:

PO Box 229
JOONDALUP DC WA 6919

By Appointment:

Level 28, AMP Tower
140 St Georges Terrace
PERTH WA 6000

T: (08) 9300 0400 E: reception@amwaudit.com.au

W: www.amwaudit.com.au ABN 59 125 425 274

Liability limited by a scheme approved under Professional Standards Legislation

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 2014. 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 2014 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 19th day of November 2014 in Perth, Western Australia

BILLY-JOE THOMAS
Director

Anderson Munro & Wyllie
ANDERSON MUNRO & WYLLIE
Chartered Accountants