



City of Fremantle

a port city of consequence



FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2014

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Principal place of business:

Town Hall Centre
8 William Street
Fremantle WA 6160

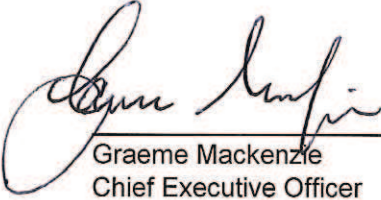
**CITY OF FREMANTLE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Fremantle being the annual financial report and other information for the financial year ended 30 June 2014 are in my opinion properly drawn up to present fairly the financial position of the City of 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 17th day of November 2014



Graeme Mackenzie
Chief Executive Officer

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

	NOTE	2014 \$	2014 Budget \$	2013 \$
Revenue				
Rates	25 (a)	35,970,246	36,109,025	34,064,488
Operating Grants, Subsidies and Contributions	30	4,552,675	4,385,414	4,560,145
Fees and Charges	29	23,749,221	24,857,961	26,100,309
Service Charges		-	-	-
Interest Earnings	2(a)	1,694,154	1,910,227	1,802,270
Other Revenue		233,008	106,198	412,560
		<u>66,199,304</u>	<u>67,368,825</u>	<u>66,939,772</u>
Expenses				
Employee Costs		(31,418,335)	(32,239,159)	(30,571,062)
Materials and Contracts		(22,834,776)	(21,417,954)	(24,604,721)
Utility Charges		(1,719,411)	(2,112,911)	(1,879,438)
Depreciation on Non-Current Assets	2(a)	(7,337,837)	(8,893,459)	(9,161,641)
Interest Expenses	2(a)	(477,756)	(477,756)	(534,652)
Insurance Expenses		(801,937)	(858,172)	(763,961)
Other Expenditure		(1,842,850)	(1,910,537)	(1,534,683)
		<u>(66,432,902)</u>	<u>(67,909,948)</u>	<u>(69,050,158)</u>
		(233,598)	(541,123)	(2,110,386)
Non-Operating Grants, Subsidies and Contributions				
	30	3,043,455	3,690,319	2,471,107
Fair value adjustments to financial assets at fair value through profit or loss	2(a)	-	-	1,178,265
Revaluation of Intangibles		(173,884)	-	-
Revaluation of Investment Land		261,238	-	-
Revaluation of Fleet		-	-	(169,801)
Revaluation of Investment Property		-	-	1,008,433
Profit on Asset Disposals	23	431,964	349	-
Loss on Asset Disposals	23	(1,046,303)	(1,485,779)	(33,255)
		<u>(1,046,303)</u>	<u>(1,485,779)</u>	<u>(33,255)</u>
NET RESULT		2,282,872	1,663,766	2,344,363
Other Comprehensive Income				
Changes on Revaluation of Non-Current Assets				
Infrastructure	14	(5,472,334)	-	85,884,174
Property, Plant & Equipment	14	(3,621,364)	-	1,812,976
Joint Venture - Change on Equity		196,746	-	(306,848)
		<u>(8,896,952)</u>	<u>-</u>	<u>87,390,302</u>
Total Other Comprehensive Income		(8,896,952)	-	87,390,302
Total Comprehensive Income		<u>(6,614,080)</u>	<u>1,663,766</u>	<u>89,734,665</u>

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

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

	NOTE	2014 \$	2014 Budget \$	2013 \$
Revenue				
Governance		288,600	228,128	314,905
General Purpose Funding		38,296,916	39,243,531	37,061,768
Law, Order, Public Safety		2,327,270	2,806,950	2,971,153
Health		473,034	435,600	435,185
Education and Welfare		1,907,200	1,909,919	1,950,263
Housing		84,095	135,180	112,705
Community Amenities		1,801,473	1,680,900	1,801,971
Recreation and Culture		4,813,818	4,841,396	6,067,166
Transport		11,705,482	10,804,481	11,215,789
Economic Services		500,770	684,840	542,534
Other Property and Services		4,000,646	4,597,900	4,466,333
		<u>66,199,304</u>	<u>67,368,825</u>	<u>66,939,772</u>
Expenses				
Governance		(5,061,823)	(4,304,910)	(4,661,267)
General Purpose Funding		(998,455)	(972,752)	(1,081,896)
Law, Order, Public Safety		(4,124,202)	(4,396,660)	(4,165,754)
Health		(851,750)	(863,297)	(809,863)
Education and Welfare		(4,699,859)	(5,005,610)	(4,839,443)
Housing		(128,340)	(105,238)	(109,997)
Community Amenities		(11,146,576)	(11,628,629)	(11,440,418)
Recreation & Culture		(17,254,676)	(18,185,970)	(18,505,359)
Transport		(16,715,870)	(17,508,380)	(17,493,242)
Economic Services		(2,237,160)	(2,176,647)	(2,262,343)
Other Property and Services		(2,736,435)	(2,284,099)	(3,145,924)
		<u>(65,955,146)</u>	<u>(67,432,192)</u>	<u>(68,515,506)</u>
Financial Costs				
Governance		(17,628)	(17,627)	(22,797)
General Purpose Funding		-	-	-
Education and Welfare		(45,388)	(45,388)	(60,806)
Recreation & Culture		(25,373)	(25,373)	(33,634)
Transport		(352,440)	(352,441)	(378,043)
Other Property and Services		(36,927)	(36,927)	(39,372)
	2(a)	<u>(477,756)</u>	<u>(477,756)</u>	<u>(534,652)</u>
Fair Value Adjustments to Financial Assets at Fair Value through Profit or Loss				
General Purpose Funding		-	-	1,178,265
Non-Operating Grants, Subsidies and Contributions				
Governance		-	75,000	-
Law, Order, Public Safety		70,000	138,099	62,298
Education and Welfare		108,296	-	271,701
Recreation & Culture		1,792,489	2,172,771	63,028
Transport		1,072,670	1,304,449	1,767,989
Other Property and Services		-	-	306,091
		<u>3,043,455</u>	<u>3,690,319</u>	<u>2,471,107</u>

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

	NOTE	2014 \$	2014 Budget \$	2013 \$
Profit/(Loss) on Disposal of Assets				
Governance		(78,295)	-	(262)
Law, Order, Public Safety		(964)	1,006	(20)
Health		-	-	(3)
Education and Welfare		4,944	(85,400)	(434)
Housing		(1,046,646)	(1,062,949)	(18)
Community Amenities		3,321	-	(11)
Recreation & Culture		(4,014)	-	(200)
Transport		312,209	(3,131)	4,952
Economic Services		-	-	(10)
Other Property and Services		195,106	(334,956)	(37,249)
		<u>(614,339)</u>	<u>(1,485,430)</u>	<u>(33,255)</u>
Fair Value Adjustments to Non Financial Assets at Fair Value through Profit or Loss				
Governance		(154,753)	-	50,000
Transport		261,238	-	514,455
Other Property and Services		-	-	274,177
Recreation Culture		(19,131)	-	-
		<u>87,354</u>	<u>-</u>	<u>838,632</u>
Net Result		<u>2,282,872</u>	<u>1,663,766</u>	<u>2,344,363</u>
Other Comprehensive Income				
Infrastructure				
Infrastructure	14	(5,472,334)	-	85,884,174
Property, Plant & Equipment	14	(3,621,364)	-	1,812,976
Joint Venture - Change on Equity		196,746	-	(306,848)
Total Other Comprehensive Income		<u>(8,896,952)</u>	<u>-</u>	<u>87,390,302</u>
Total Comprehensive Income		<u><u>(6,614,080)</u></u>	<u><u>1,663,766</u></u>	<u><u>89,734,665</u></u>

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

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

	NOTE	2014 \$	2013 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	39,450,065	32,294,305
Investment	4	-	-
Trade and Other Receivables	6	3,002,363	2,260,847
Inventories	5	170,339	168,355
TOTAL CURRENT ASSETS		<u>42,622,767</u>	<u>34,723,507</u>
NON-CURRENT ASSETS			
Other Receivables	6	951,998	1,131,488
Investments	4	2,101,404	1,904,658
Property, Plant and Equipment	7 (a)	181,472,348	193,644,536
Intangible Assets	9	8,700	416,028
Infrastructure	8	285,812,406	284,741,096
TOTAL NON-CURRENT ASSETS		<u>470,346,856</u>	<u>481,837,806</u>
TOTAL ASSETS		<u>512,969,623</u>	<u>516,561,313</u>
CURRENT LIABILITIES			
Trade and Other Payables	10	8,928,605	8,205,539
Current Portion of Long Term Borrowings	11	1,491,418	1,421,436
Provisions	12	5,760,704	5,443,974
TOTAL CURRENT LIABILITIES		<u>16,180,727</u>	<u>15,070,949</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	11	9,737,890	7,879,308
Provisions	12	947,448	893,418
TOTAL NON-CURRENT LIABILITIES		<u>10,685,338</u>	<u>8,772,726</u>
TOTAL LIABILITIES		<u>26,866,065</u>	<u>23,843,675</u>
NET ASSETS		<u>486,103,558</u>	<u>492,717,638</u>
EQUITY			
Retained Surplus		139,227,734	144,008,396
Reserves - Cash Backed	13	25,431,452	18,171,172
Revaluation Surplus	14	321,444,372	330,538,070
TOTAL EQUITY		<u>486,103,558</u>	<u>492,717,638</u>

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2012		152,422,693	8,026,208	242,840,920	402,982,973
Comprehensive Income					
Net Result		2,344,363	-	-	2,344,363
Changes on Revaluation of Non-Current Assets	14	-	-	87,697,150	87,697,150
Joint Venture - Change on Equity		(306,848)	-	-	(306,848)
Total Comprehensive Income		<u>2,037,515</u>	<u>-</u>	<u>87,697,150</u>	<u>89,734,665</u>
Transfers from/(to) Reserves		(10,144,964)	10,144,964	-	-
		<u>144,008,396</u>	<u>18,171,172</u>	<u>330,538,070</u>	<u>492,717,638</u>
Balance as at 30 June 2013					
Comprehensive Income					
Net Result		2,282,872	-	-	2,282,872
Changes on Revaluation of Non-Current Assets	14	-	-	(9,093,698)	(9,093,698)
Joint Venture - Change on Equity		196,746	-	-	196,746
Total Comprehensive Income		<u>2,479,618</u>	<u>-</u>	<u>(9,093,698)</u>	<u>(6,614,080)</u>
Transfers from/(to) Reserves		(7,260,280)	7,260,280	-	-
		<u>139,227,734</u>	<u>25,431,452</u>	<u>321,444,372</u>	<u>486,103,558</u>
Balance as at 30 June 2014					

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

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

	NOTE	2014 \$	2014 Budget \$	2013 \$
Cash Flows From Operating Activities				
Receipts				
Rates		36,221,948	36,109,025	34,248,791
Operating Grants, Subsidies and Contributions		4,232,226	4,385,414	4,560,145
Fees and Charges		23,749,221	24,857,961	27,766,675
Service Charges		-	-	-
Interest Earnings		1,694,154	1,910,227	1,802,270
Goods and Services Tax		(627,342)	2,570,000	(45,256)
Other Revenue		233,008	106,198	1,590,823
		<u>65,503,215</u>	<u>69,938,825</u>	<u>69,923,448</u>
Payments				
Employee Costs		(30,904,252)	(32,239,159)	(30,156,350)
Materials and Contracts		(22,875,756)	(21,305,266)	(25,111,982)
Utility Charges		(1,719,411)	(2,112,911)	(1,879,438)
Interest Expenses		(492,731)	(858,172)	(763,961)
Insurance Expenses		(801,937)	(477,756)	(585,587)
Goods and Services Tax		633,714	(3,682,688)	(70,683)
Other Expenditure		(1,842,850)	(1,910,537)	(2,712,948)
		<u>(58,003,223)</u>	<u>(62,586,489)</u>	<u>(61,280,949)</u>
Net Cash Provided By (Used In) Operating Activities	15(b)	<u>7,499,992</u>	<u>7,352,336</u>	<u>8,642,499</u>
Cash Flows from Investing Activities				
Payments for Development of Land Held for Resale		-	-	-
Payments for Purchase of Property, Plant & Equipment		(2,605,268)	(16,652,972)	(1,561,271)
Payments for Construction of Infrastructure		(13,600,557)	(19,201,438)	(7,267,782)
Non-Operating Grants, Subsidies and Contributions		3,043,455	3,690,319	2,471,107
Proceeds from Sale of Fixed Assets		10,755,511	14,471,500	152,072
Proceeds from Sale of Investments		-	-	8,340,196
Net Cash Provided by (Used in) Investment Activities		<u>(2,406,859)</u>	<u>(17,692,591)</u>	<u>2,134,322</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(1,421,436)	(1,421,436)	(1,596,419)
Proceeds from Self Supporting Loans		134,063	134,063	(45,770)
Proceeds from New Debentures		3,350,000	18,515,000	980,000
Net Cash Provided By (Used In) Financing Activities		<u>2,062,627</u>	<u>17,227,627</u>	<u>(662,189)</u>
Net Increase (Decrease) in Cash Held		<u>7,155,760</u>	<u>6,887,372</u>	<u>10,114,632</u>
Cash at Beginning of Year		32,294,305	32,293,065	22,179,673
Cash and Cash Equivalents at the End of the Year	15(a)	<u><u>39,450,065</u></u>	<u><u>39,180,437</u></u>	<u><u>32,294,305</u></u>

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

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

	NOTE	2014 Actual \$	2014 Budget \$	2013 Actual \$
Revenue				
Governance		210,375	303,128	364,643
General Purpose Funding		2,461,998	3,270,347	4,175,544
Law, Order, Public Safety		2,396,306	2,946,055	3,033,431
Health		473,034	435,600	435,182
Education and Welfare		2,020,440	1,909,919	2,221,529
Housing		83,668	135,180	112,687
Community Amenities		1,804,794	1,680,900	1,801,960
Recreation and Culture		6,602,306	7,014,167	6,129,994
Transport		13,090,362	12,105,799	13,503,186
Economic Services		500,770	684,840	542,524
Other Property and Services		4,456,990	4,600,374	5,179,153
		<u>34,101,043</u>	<u>35,086,309</u>	<u>37,499,833</u>
Expenses				
Governance		(5,234,274)	(4,322,537)	(4,684,064)
General Purpose Funding		(998,455)	(972,752)	(1,081,896)
Law, Order, Public Safety		(4,124,202)	(4,396,660)	(4,165,754)
Health		(851,750)	(863,297)	(809,863)
Education and Welfare		(4,745,247)	(5,136,398)	(4,900,249)
Housing		(1,174,559)	(1,168,187)	(109,997)
Community Amenities		(11,146,576)	(11,628,629)	(11,440,418)
Recreation and Culture		(17,299,193)	(18,211,343)	(18,538,992)
Transport		(17,068,311)	(17,860,821)	(17,871,285)
Economic Services		(2,237,160)	(2,176,647)	(2,262,343)
Other Property and Services		(2,773,362)	(2,658,456)	(3,355,098)
		<u>(67,653,089)</u>	<u>(69,395,727)</u>	<u>(69,219,959)</u>
Net Result Excluding Rates		(33,552,046)	(34,309,418)	(31,720,126)
Adjustments for Cash Budget Requirements:				
Initial Recognition of Assets Due to Change to Regulations		-	-	(1)
(Profit)/Loss on Asset Disposals	23	614,339	1,485,430	33,255
Depreciation and Amortisation on Assets	2(a)	7,337,837	8,893,459	9,161,641
Revaluation & Impairment of Assets/Inv. Trust C/Fwd		(126,246)	-	(838,632)
Capital Expenditure and Revenue				
Purchase Land and Buildings		(646,057)	(15,227,873)	(684,601)
Purchase Infrastructure Assets - All		(13,600,556)	(19,863,555)	(7,267,781)
Purchase Vehicles and Heavy Plant		(949,081)	(661,000)	(558,838)
Purchase Furniture and Equipment		(992,081)	(1,246,099)	(253,721)
Purchase Art Collection		(18,050)	(18,000)	(32,454)
Purchase Intangible Assets		-	-	(31,655)
Proceeds from Disposal of Investments		-	-	7,161,931
Proceeds from Disposal of Fixed Assets	23	10,755,511	14,471,500	152,072
Repayment of Debentures	24	(1,421,436)	(1,421,436)	(1,596,419)
Proceeds from New Debentures	24	3,350,000	18,515,000	980,000
Proceeds from Self Supporting Loans	5(a)	134,063	134,063	237,986
New Loan Advances		-	-	(330,000)
Transfers to Reserves (Restricted Assets)	13	(14,203,711)	(18,335,963)	(23,329,352)
Transfers from Reserves (Restricted Assets)	13	6,943,431	9,350,708	13,184,387
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	25(b)	2,396,153	2,360,000	4,063,973
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	25(b)	1,856,988	100,000	2,396,153
Total Amount Raised from General Rate	25(a)	<u>(35,834,918)</u>	<u>(35,973,184)</u>	<u>(34,064,488)</u>

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

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

	NOTE	2014 Actual \$	2014 Budget \$	2013 Actual \$
REVENUE				
Operating Grants and Subsidies	30	4,552,675	4,385,414	4,560,145
Capital Grants and Subsidies/Contributions for the Development of Assets	30	3,043,455	3,690,319	2,471,107
Fees and Charges	29	23,749,221	24,857,961	26,100,309
Interest Earnings	2(a)	1,694,154	1,910,227	1,802,270
Profit on Sale of Assets	23	431,964	349	-
Other Revenue		494,246	106,198	2,599,257
		<u>33,965,715</u>	<u>34,950,468</u>	<u>37,533,088</u>
EXPENSES				
Employee Costs		(31,418,335)	(32,239,159)	(30,571,062)
Materials and Contracts		(22,834,776)	(21,417,954)	(24,604,721)
Depreciation on Non Current Assets	2(a)	(7,337,837)	(8,893,459)	(9,161,641)
Interest Expenses	2(a)	(477,756)	(477,756)	(534,652)
Utilities		(1,719,411)	(2,112,911)	(1,879,438)
Loss on Sale of Assets	23	(1,046,303)	(1,485,779)	(33,255)
Insurance Expenses		(801,937)	(858,172)	(763,961)
Other Expenditure		(2,016,734)	(1,910,537)	(1,704,484)
		<u>(67,653,089)</u>	<u>(69,395,727)</u>	<u>(69,253,214)</u>
Net Operating Result Excluding Rates		(33,687,374)	(34,445,259)	(31,720,126)
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
Initial Recognition of Easement Due to Change to Regulations		-	-	(1)
(Profit)/Loss on Asset Disposals		614,339	1,485,430	33,255
Depreciation	2(a)	7,337,837	8,893,459	9,161,641
Revaluation & Impairment of Assets/Inv. Trust C'Fwd		(126,246)	-	(838,632)
Capital Expenditure and Revenue				
Purchase Land Held for Resale				
Purchase Land and Buildings		(646,057)	(15,227,873)	(684,601)
Purchase Infrastructure Assets - All		(13,600,556)	(19,863,555)	(7,267,781)
Purchase Vehicles and Heavy Plant		(949,081)	(661,000)	(558,838)
Purchase Furniture, Plant and Equipment		(992,081)	(1,246,099)	(253,721)
Purchase Art Collection		(18,050)	(18,000)	(32,454)
Purchase Intangible Assets		-	-	(31,655)
Proceeds from Disposal of Assets	23	10,755,511	14,471,500	152,072
Repayment of Debentures	24(a)	(1,421,436)	(1,421,436)	(1,596,419)
Investment in Managed Funds		-	-	7,161,931
Proceeds from New Debentures	24(b)	3,350,000	18,515,000	980,000
New Loan Advances		-	-	(330,000)
Self-Supporting Loan Principal Income	5(a)	134,063	134,063	237,986
Transfers to Reserves (Restricted Assets)	13	(14,203,711)	(18,335,963)	(23,329,352)
Transfers from Reserves (Restricted Assets)	13	6,943,431	9,350,708	13,184,387
ADD Estimated Surplus/(Deficit) July 1 B/Fwd		2,396,153	2,360,000	4,063,973
LESS Estimated Surplus/(Deficit) June 30 C/Fwd		1,856,988	100,000	2,396,153
Amount Required to be Raised from Rates	25(a)	<u>(35,970,246)</u>	<u>(36,109,025)</u>	<u>(34,064,488)</u>

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

CITY OF 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 21 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.

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

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

CITY OF 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)

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

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

Land Under Control

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

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

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.

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.

CITY OF 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)

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.

**CITY OF 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)

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
Furniture and Equipment	10 years
Fleet	10 years
Computer Hardware	5 years
Intangible Assets (Computer Software)	5 years
Infrastructure Roads	
Pavement Formation	n/a
Pavement Structure	130 years
Pavement Surface	35 years
Surface Water Channel	20 years
Infrastructure Footpaths	30 years
Infrastructure Drainage	40 years
Infrastructure Parks & Reserves	60 years

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

Assets are capitalised at cost or where acquired for at no or nominal cost at fair value. Items whose cost or fair value is less than the thresholds below are expensed in the year of acquisition:

Freehold Land and Buildings	No Limit
Vehicles, Plant and Equipment	\$1,000
Intangibles	\$1,000
Art Collection	No Limit
Infrastructure	\$10,000

CITY OF 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.

CITY OF 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.

CITY OF 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.

CITY OF 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.

CITY OF 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.

(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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases

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

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

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

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

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

(o) Investment in Associates

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

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

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

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

(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 18.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

**CITY OF 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 simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 2010 -7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	December 2013	1 January 2017	Nil - The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]			

**CITY OF 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
<p>(iii) AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entities]</p> <p>[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]</p>	December 2012	1 January 2014	<p>Consequential changes to various standards arising from the issuance of AASB 10, 11, 12, 127 and 128.</p> <p>It is not expected to have a significant impact on Council.</p>
<p>(iv) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities</p> <p>[AASB 132]</p>	June 2012	1 January 2014	<p>This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.</p> <p>This Standard is not expected to significantly impact the Council’s financial statements.</p>

**CITY OF 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 - Recoverable Amount Disclosures for Non-Financial Assets	June 2013	1 January 2014	<p>This standard makes amendments to AASB 136 and includes requirements to disclose additional information when present value techniques are used to measure the recoverable amount of impaired assets.</p> <p>It is not expected to have a significant impact on Council.</p>
(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	<p>This standard adds Appendix E to AASB 10 to provide implementation guidance for Not-for-Profit entities regarding control criteria from the perspective of not-for-profit entities.</p> <p>It is not expected to have a significant impact on Council.</p>
(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	<p>Part A of this standard makes various editorial corrections to Australian Accounting Standards.</p> <p>Part B of this standard deletes references to AASB 1031 in various Australian Accounting Standards in advance of the withdrawal of AASB 1031.</p> <p>Part C of this standard makes consequential amendments to AASB 9 and numerous other standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value.</p> <p>As the bulk of changes related either to editorial or reference changes it is not expected to have a significant impact on Council.</p>

Notes:

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

**CITY OF 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 mandatory 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 accounting or reporting practices or were either not applicable, largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

CITY OF 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:			
Significant Expense			
General Purpose Funding		-	1,178,265
This significant expense in 2013 relates to fair value of financial assets.			
Auditors Remuneration			
- Audit of the financial report		27,750	25,500
- Grant Acquittals		6,000	5,900
		<u>33,750</u>	<u>31,400</u>
Depreciation			
Buildings		132,488	301,273
Furniture and Equipment		581,948	753,049
Plant and Equipment		380,765	580,907
Intangible Assets		231,941	350,470
Buildings - Infrastructure		1,555,984	1,486,179
Roads		2,958,218	3,783,469
Footpaths		889,253	968,843
Drainage		317,377	290,522
Parks and Reserves		289,863	646,929
		<u>7,337,837</u>	<u>9,161,641</u>
Interest Expenses (Finance Costs)			
Debentures (refer Note 24.(a))		477,756	534,652
		<u>477,756</u>	<u>534,652</u>
Rental Charges			
- Operating Leases		49,897	33,029
- Rental Agreements		921,190	939,090
		<u>971,087</u>	<u>972,119</u>
(ii) Crediting as Revenue:			
	2014	2014	2013
	Actual	Budget	Actual
	\$	\$	\$
Interest Earnings			
- Self Supporting Loans (refer Note 5.(a))	7,404	14,227	576
- Reserve Funds	759,477	1,000,000	398,936
- Other Funds	655,160	605,000	1,131,518
Other Interest Revenue (refer note 28)	272,113	291,000	271,240
	<u>1,694,154</u>	<u>1,910,227</u>	<u>1,802,270</u>

**CITY OF 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

The City of Fremantle is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

GOVERNANCE

Operation of the election of community representatives to Council. Meeting costs to Council, its committees and Councillor representation at public and civic events. Conferences and meetings, e.g. Citizenship ceremonies and Local Government week. Council's strategic planning and policy making responsibilities. Fees, allowances and elected members expenses. Cost of Council's staff in relation to supporting elected members planning, policy making and representation role. Corporate support including accounting, budgeting and annual reports and general activity associated with employing staff and providing resources to service Council.

GENERAL PURPOSE FUNDING

Operation of the rating function, funding process of the Grants Commission and interest earned from cash management and investing activity.

LAW, ORDER, PUBLIC SAFETY

Operation of various Council by-laws, ranger services, public safety and animal control.

HEALTH

Operation of environmental health, food control and pest control.

EDUCATION AND WELFARE

Operation of pre-school and other education services. Operation and support in the care of families and children, senior citizens and other voluntary services.

HOUSING

Operation of housing for rent.

COMMUNITY AMENITIES

Operation of rubbish and recyclable waste collection services, noise control, protection of the environment, provision of public toilets and administration of the town planning scheme.

RECREATION AND CULTURE

Operation of civic centre, public halls, swimming pool, recreation centres, parks and reserves, libraries, arts centre, heritage issues and other cultural facilities.

TRANSPORT

Operation of construction and maintenance of roads, drainage works, footpaths, street lighting plus on and off street parking facilities.

ECONOMIC SERVICES

Operation of tourism services, implementation of building controls and economic development.

OTHER PROPERTY AND SERVICES

Operation of private works, plant and public works overheads.

**CITY OF 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	Received (2)	Expended (3)	Closing	Received (2)	Expended (3)	Closing
Grant/Contribution	Function/ Activity	Balance (1) 1/07/12	2012/13	2012/13	Balance (1) 30/06/13	2013/14	2013/14	Balance 30/06/14
		\$	\$	\$	\$	\$	\$	\$
Count Me In Inclusion								
- Hilton Harvest Community Garden		50,000	-	(11,842)	38,158	-	(13,225)	24,933
Roads to Recovery		70,650	187,146	(257,796)	-	187,144	(187,144)	-
Freo Club		-	25,578	(21,278)	4,300	24,702	(23,150)	5,852
Tobacco Control Grant scheme		-	-	-	-	5,373	(1,780)	3,593
Martu Project		-	-	-	-	411,254	(43,057)	368,197
Graffiti Grant		-	-	-	-	17,990	-	17,990
Safer Street in Fremantle		-	-	-	-	21,893	(20,914)	979
Total		<u>120,650</u>	<u>212,724</u>	<u>(290,916)</u>	<u>42,458</u>	<u>668,356</u>	<u>(289,270)</u>	<u>421,544</u>

Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.**
- (2) - 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.**
- (3) - 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.**

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

	Note	2014 \$	2013 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		11,551,907	12,888,763
Restricted		<u>27,898,158</u>	<u>19,405,542</u>
		<u>39,450,065</u>	<u>32,294,305</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Investment Reserve Fund	13	8,131,971	1,179,011
Heritage Places Reserve	13	833,486	656,472
Parks, Recreation & Facilities Reserve	13	763,964	759,575
Parking Dividend Equalisation Reserve	13	6,913,282	2,864,155
Fremantle Markets Conservation Reserve	13	576,592	556,250
Renewable Energy Investment Reserve	13	11,225	190,385
Leighton Precinct Maintenance	13	106,886	70,862
Leisure Centre Upgrade	13	150,000	1,957,104
Fremantle Town Hall Refurbishment	13	2,000,000	2,000,000
Cantonment Hill Master Plan	13	1,867,501	1,997,000
Kings Square Improvements	13	2,000,000	2,000,000
Play Spaces	13	-	920,910
Sustainability Reserve	13	-	942,903
Stan Reilly Property Re-Development Reserve	13	2,000,000	2,000,000
HACC Asset Replacement Reserve	13	76,545	76,545
Conditions Over Grants/Contributions	2(c)	421,544	113,108
Other Restricted Funds	22	930,721	932,788
Unexpended Loans	24	<u>1,114,441</u>	<u>188,474</u>
		<u>27,898,158</u>	<u>19,405,542</u>
4. INVESTMENTS			
Financial assets at fair value through profit or loss		<u>-</u>	<u>-</u>
Financial assets at fair value through profit or loss			
At beginning of the year		-	3,487,881
Revaluation to Income Statement		-	(19,103)
Additions		-	96,263
Disposals		-	(3,565,041)
At end of the year		<u>-</u>	<u>-</u>
Held for trading			
At beginning of the year		-	7,161,931
Revaluation to Income Statement		-	1,166,480
Additions		-	198,534
Disposals		-	(8,526,945)
At end of the year		<u>-</u>	<u>-</u>
Equity Investment (Non Current) - Refer Note 18		<u>2,101,404</u>	<u>1,904,658</u>

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

	2014	2013
	\$	\$
5 INVENTORIES		
Current		
Depot Fuel and Materials	78,703	83,817
Arts Centre Stock on Hand	36,718	41,995
Leisure Centre Stock on Hand	45,129	34,394
Fremantle Visitor Centre	9,789	8,149
	<u>170,339</u>	<u>168,355</u>
6 TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	227,827	500,276
Sundry Debtors	1,578,580	1,258,131
GST Receivable	995,719	368,377
Loans - Clubs/Institutions	200,237	134,063
	<u>3,002,363</u>	<u>2,260,847</u>
Non-Current		
Rates Outstanding - Pensioners	356,496	335,749
Loans - Clubs/Institutions	595,502	795,739
	<u>951,998</u>	<u>1,131,488</u>

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

6 (a) Loan Advances

	Amount of Initial Advance	Term of Advance Years	Date of Advance	2012/2013		2013/2014				
				Outstanding Principal 30 June 2013	Interest	Principal	Total Repayment	Outstanding Principal 30 June 2014	Future Years Impairment Charges	Unimpaired Outstanding Charges
<u>Self Supporting Loans - General</u>										
Silver Chain	2,200,000	10	14-Jun-06	542,482	-	165,000	165,000	377,482	-	377,482
Impairment Charge				46,244	-	(35,327)	(35,327)	81,571	35,947	117,518
				588,726	-	129,673	129,673	459,053	35,947	495,000
Fremantle Workers Club	330,000	10	21-Dec-12	330,000	7,224	-	-	330,000	-	330,000
				918,726	7,224	129,673	129,673	789,053	35,947	825,000
<u>Loans under Sport & Recreation Capital Loans Scheme</u>										
Fremantle Rugby League Club	5,000	11	22-Apr-03	492	8	492	500	-	-	-
North Fremantle Associated Clubs	13,000	11	28-Jun-05	2,538	41	1,259	1,300	1,279	-	1,279
South Fremantle Football Club	27,700	11	21-Jun-05	8,046	131	2,639	2,770	5,407	-	5,407
				11,076	180	4,390	4,570	6,686	-	6,686
Total All Advances				929,802	7,404	134,063	134,243	795,739	35,947	831,686

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

	2014	2013
	\$	\$
7 . PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings		
Freehold Land at:		
- Independent Valuation 2014	116,152,514	-
- Independent Valuation 2013	-	122,062,514
	<u>116,152,514</u>	<u>122,062,514</u>
Land Investment at:		
- Independent Valuation 2014	44,735,000	-
- Independent Valuation 2013	-	50,198,161
	<u>44,735,000</u>	<u>50,198,161</u>
Total Land	<u><u>160,887,514</u></u>	<u><u>172,260,675</u></u>
Buildings at:		
- Independent Valuation 2014	4,792,021	-
- Independent Valuation 2013	-	5,403,660
	<u>4,792,021</u>	<u>5,403,660</u>
Building Investment at:		
- Independent Valuation 2014	5,800,000	-
- Independent Valuation 2013	-	6,820,613
	<u>5,800,000</u>	<u>6,820,613</u>
Total Buildings	<u><u>10,592,021</u></u>	<u><u>12,224,273</u></u>
Total Land and Buildings	<u><u>171,479,535</u></u>	<u><u>184,484,948</u></u>
Furniture and Equipment at:		
- Management Valuation 2013	3,908,890	3,908,890
- Additions after Valuation - Cost	993,500	-
- Disposal after Valuation-Cost	(28,853)	-
Less Accumulated Depreciation	<u>(581,948)</u>	<u>-</u>
	4,291,589	3,908,890
Fleet at:		
- Management Valuation 2013	3,325,585	3,325,585
- Additions after Valuation - Cost	949,081	-
- Disposal after Valuation-Cost	(135,840)	-
Less Accumulated Depreciation	<u>(380,765)</u>	<u>-</u>
	3,758,061	3,325,585
Art Collection at:		
-Independent Valuation 1999	1,717,805	1,925,113
- Additions after Valuation - Cost	225,358	-
	<u>1,943,163</u>	<u>1,925,113</u>
	<u><u>181,472,348</u></u>	<u><u>193,644,536</u></u>

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) 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.

	Note 1 (g)	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Carrying Amount at the End of Year \$
Freehold Land	(Level 2)	122,062,514	-	(2,815,000)	(3,095,000)	-	-	116,152,514
Land Investment	(Level 2)	50,198,161	-	(6,838,161)	1,375,000	-	-	44,735,000
Total Land		172,260,675	-	(9,653,161)	(1,720,000)	-	-	160,887,514
Buildings	(Level 2)	5,403,660	382,294	(335,079)	(526,366)	-	(132,488)	4,792,021
Building Investment	(Level 2)	6,820,613	263,763	(170,614)	(1,113,762)	-	-	5,800,000
Total Buildings		12,224,273	646,057	(505,693)	(1,640,128)	-	(132,488)	10,592,021
Total Land and Buildings		184,484,948	646,057	(10,158,854)	(3,360,128)	-	(132,488)	171,479,535
Furniture and Equipment	(Level 3)	3,908,890	993,500	(28,853)	-	-	(581,948)	4,291,589
Fleet	(Level 3)	3,325,585	949,081	(135,840)	-	-	(380,765)	3,758,061
Art Collection	(Level 3)	1,925,113	18,050	-	-	-	-	1,943,163
Total Property, Plant and Equipment		193,644,536	2,606,688	(10,323,547)	(3,360,128)	-	(1,095,201)	181,472,348
Replacement Values Used in Asset Consumption Ratio			Buildings	Building Investment	Furniture & Equipment	Fleet		Total
Current Replacement Cost at Fair Value			47,205,000	50,675,000	13,421,441	7,140,457		118,441,898
Less Accumulated Depreciation			(33,352,483)	(29,231,500)	(9,129,852)	(3,382,396)		(75,096,231)
Less Impairment			(9,060,496)	(15,643,500)	-	-		(24,703,996)
Depreciated Replacement Cost			4,792,021	5,800,000	4,291,589	3,758,061		18,641,671

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

	2014 \$	2013 \$
8. INFRASTRUCTURE		
Roads		
- Management Valuation 2013	162,917,966	162,917,966
- Additions after Valuation - Cost	3,278,302	-
Less Accumulated Depreciation	<u>(2,958,218)</u>	<u>-</u>
	163,238,050	162,917,966
Footpaths		
- Management Valuation 2013	27,788,391	27,788,391
- Additions after Valuation - Cost	279,415	-
Less Accumulated Depreciation	<u>(889,253)</u>	<u>-</u>
	27,178,553	27,788,391
Drainage		
- Management Valuation 2013	12,694,120	12,694,120
- Additions after Valuation - Cost	344,100	-
Less Accumulated Depreciation	<u>(317,377)</u>	<u>-</u>
	12,720,843	12,694,120
Parks & Ovals		
- Management Valuation 2013	17,042,781	17,042,781
- Additions after Valuation - Cost	2,906,437	-
Less Accumulated Depreciation	<u>(289,863)</u>	<u>-</u>
	19,659,355	17,042,781
Buildings		
- Independent Valuation 2014	61,765,605	-
- Independent Valuation 2013	-	62,797,717
	<u>61,765,605</u>	<u>62,797,717</u>
Vested Land		
- Independent Valuation 2014	1,250,000	-
- Independent Valuation 2013	-	1,500,121
	<u>1,250,000</u>	<u>1,500,121</u>
	<u>285,812,406</u>	<u>284,741,096</u>

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

8 (a). 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.

	Note 1 (g)	Balance as at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Carrying Amount at the End of Year \$
Roads	(Level 3)	162,917,966	3,278,302	-	-	-	(2,958,218)	163,238,050
Footpaths	(Level 3)	27,788,391	279,415	-	-	-	(889,253)	27,178,553
Drainage	(Level 3)	12,694,120	344,100	-	-	-	(317,377)	12,720,843
Parks & Ovals	(Level 3)	17,042,781	2,906,437	-	-	-	(289,863)	19,659,355
Buildings	(Level 2)	62,797,717	6,792,303	(1,046,218)	(5,222,213)	-	(1,555,984)	61,765,605
Vested Land	(Level 2)	1,500,121	-	(1)	(250,120)	-	-	1,250,000
Total		284,741,096	13,600,557	(1,046,219)	(5,472,333)	-	(6,010,695)	285,812,406

Replacement Values Used in Asset Consumption Ratio

	Roads	Footpaths	Drainage	Parks & Ovals	Buildings	Total
Current Replacement Cost at Fair Value	279,234,219	39,281,956	30,351,503	24,558,765	102,845,000	476,271,443
Less Accumulated Depreciation	(115,996,169)	(12,103,403)	(17,630,660)	(4,899,410)	(41,079,395)	(191,709,037)
Depreciated Replacement Cost	163,238,050	27,178,553	12,720,843	19,659,355	61,765,605	284,562,406

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

	2014 \$	2013 \$
9. INTANGIBLES		
Computer Software		
- Management Valuation 2014	8,699	-
- Cost	-	2,580,383
Less Accumulated Depreciation	<u>-</u>	<u>(2,164,356)</u>
	8,699	416,027
Easements-Nominal Value	<u>1</u>	<u>1</u>
	1	1
	 <u>8,700</u>	 <u>416,028</u>
 10 TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	4,864,005	4,263,469
Accrued Interest on Debentures	115,194	130,169
Accrued Salaries and Wages	655,855	570,472
Income Received in Advance	331,932	273,992
GST Payable	782,862	149,148
Bonds and Deposits Held	<u>2,178,757</u>	<u>2,818,289</u>
	<u>8,928,605</u>	<u>8,205,539</u>
 11 LONG-TERM BORROWINGS		
Current		
Secured by Floating Charge Debentures		
Debentures	1,491,418	1,421,436
Lease Liability	<u>-</u>	<u>-</u>
	<u>1,491,418</u>	<u>1,421,436</u>
 Non-Current		
Secured by Floating Charge Debentures		
Debentures	9,737,890	7,879,308
Lease Liability	<u>-</u>	<u>-</u>
	<u>9,737,890</u>	<u>7,879,308</u>

Additional detail on borrowings is provided in Note 24.

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

	2014 \$	2013 \$			
12 PROVISIONS					
Analysis of Total Provisions					
Current					
Fremantle Markets - Prepaid Lease	12,964	12,964			
Provision for Annual Leave	2,427,764	2,335,720			
Provision for Long Service Leave	2,735,248	2,457,278			
Leasehold Premiums - Tapper St	584,728	638,012			
	<u>5,760,704</u>	<u>5,443,974</u>			
Non-Current					
Fremantle Markets - Prepaid Lease	146,171	159,136			
Provision for Long Service Leave	801,277	734,282			
	<u>947,448</u>	<u>893,418</u>			
Total Provisions	<u>6,708,152</u>	<u>6,337,392</u>			
	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$		
Opening balance at 1 July 2013	2,335,720	3,191,560	5,527,280		
Additional provision	92,044	344,965	437,009		
Balance at 30 June 2014	<u>2,427,764</u>	<u>3,536,525</u>	<u>5,964,289</u>		

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

	2014 \$	2014 Budget \$	2013 \$
13. RESERVES - CASH BACKED			
(a) Investment Reserve			
Opening Balance	1,179,011	1,179,011	3,950,051
Amount Set Aside / Transfer to Reserve	7,757,164	11,377,268	9,228,960
Amount Used / Transfer from Reserve	(804,204)	(1,500,000)	(12,000,000)
	<u>8,131,971</u>	<u>11,056,279</u>	<u>1,179,011</u>
(b) Art and Cultural Facilities Reserve			
Opening Balance	-	-	149,801
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	(149,801)
	<u>-</u>	<u>-</u>	<u>-</u>
(c) Heritage Places Reserve			
Opening Balance	656,472	656,472	505,892
Amount Set Aside / Transfer to Reserve	445,610	445,610	419,215
Amount Used / Transfer from Reserve	(268,596)	(1,102,082)	(268,635)
	<u>833,486</u>	<u>-</u>	<u>656,472</u>
(d) Parking Dividend Equalisation Reserve			
Opening Balance	2,864,155	2,864,155	2,505,540
Amount Set Aside / Transfer to Reserve	4,989,684	5,500,000	500,000
Amount Used / Transfer from Reserve	(940,557)	(1,220,873)	(141,385)
	<u>6,913,282</u>	<u>7,143,282</u>	<u>2,864,155</u>
(e) Parks, Recreation and Facilities Reserve			
Opening Balance	759,575	759,575	177,640
Amount Set Aside / Transfer to Reserve	4,389	4,390	581,935
Amount Used / Transfer from Reserve	-	-	-
	<u>763,964</u>	<u>763,965</u>	<u>759,575</u>
(f) Carbon Neutrality Reserve			
Opening Balance	-	-	159,255
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	(159,255)
	<u>-</u>	<u>-</u>	<u>-</u>
(g) Service Charge - Underground Power East Scheme Reserve			
Opening Balance	-	-	55,623
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	(55,623)
	<u>-</u>	<u>-</u>	<u>-</u>
(h) Fremantle Markets Conservation Reserve			
Opening Balance	556,250	556,250	522,406
Amount Set Aside / Transfer to Reserve	150,000	150,000	150,000
Amount Used / Transfer from Reserve	(129,658)	(559,836)	(116,156)
	<u>576,592</u>	<u>146,414</u>	<u>556,250</u>

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

	2014 \$	2014 Budget \$	2013 \$
13. RESERVES - CASH BACKED (continued)			
(i) Renewable Energy Investment Reserve			
Opening Balance	190,385	190,385	-
Amount Set Aside / Transfer to Reserve	320,840	320,840	301,835
Amount Used / Transfer from Reserve	(500,000)	(500,000)	(111,450)
	<u>11,225</u>	<u>11,225</u>	<u>190,385</u>
(j) Leighton Precinct Maintenance			
Opening Balance	70,862	70,862	-
Amount Set Aside / Transfer to Reserve	36,024	37,855	70,862
Amount Used / Transfer from Reserve	-	-	-
	<u>106,886</u>	<u>108,717</u>	<u>70,862</u>
(k) Leisure Centre Upgrade			
Opening Balance	1,957,104	1,957,104	-
Amount Set Aside / Transfer to Reserve	500,000	500,000	2,000,000
Amount Used / Transfer from Reserve	(2,307,104)	(2,307,104)	(42,896)
	<u>150,000</u>	<u>150,000</u>	<u>1,957,104</u>
(l) Fremantle Town Hall Refurbishment			
Opening Balance	2,000,000	2,000,000	-
Amount Set Aside / Transfer to Reserve	-	-	2,000,000
Amount Used / Transfer from Reserve	-	-	-
	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
(m) Cantonment Hill Master Plan			
Opening Balance	1,997,000	1,997,000	-
Amount Set Aside / Transfer to Reserve	-	-	1,997,000
Amount Used / Transfer from Reserve	(129,499)	(297,000)	-
	<u>1,867,501</u>	<u>1,700,000</u>	<u>1,997,000</u>
(n) Kings Square Improvements			
Opening Balance	2,000,000	2,000,000	-
Amount Set Aside / Transfer to Reserve	-	-	2,000,000
Amount Used / Transfer from Reserve	-	-	-
	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
(o) Play Spaces			
Opening Balance	920,910	920,910	-
Amount Set Aside / Transfer to Reserve	-	-	920,910
Amount Used / Transfer from Reserve	(920,910)	(920,910)	-
	<u>-</u>	<u>-</u>	<u>920,910</u>
(p) Sustainability Reserve			
Opening Balance	942,903	942,903	-
Amount Set Aside / Transfer to Reserve	-	-	1,000,000
Amount Used / Transfer from Reserve	(942,903)	(942,903)	(57,097)
	<u>-</u>	<u>-</u>	<u>942,903</u>

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

13. RESERVES - CASH BACKED (continued)

(q) Stan Reilly Property Re-Development Reserve

Opening Balance	2,000,000	2,000,000	-
Amount Set Aside / Transfer to Reserve	-	-	2,000,000
Amount Used / Transfer from Reserve	-	-	-
	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>

(r) HACC Asset Replacement Reserve

Opening Balance	76,545	-	-
Amount Set Aside / Transfer to Reserve	-	-	76,545
Amount Used / Transfer from Reserve	-	-	-
	<u>76,545</u>	<u>-</u>	<u>76,545</u>

TOTAL RESERVES	<u><u>25,431,452</u></u>	<u><u>27,079,882</u></u>	<u><u>18,171,172</u></u>
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Total Opening Balance	18,171,172	18,094,627	8,026,208
Total Amount Set Aside / Transfer to Reserve	14,203,711	18,335,963	23,247,262
Total Amount Used / Transfer from Reserve	<u>(6,943,431)</u>	<u>(9,350,708)</u>	<u>(13,102,298)</u>
TOTAL RESERVES	<u><u>25,431,452</u></u>	<u><u>27,079,882</u></u>	<u><u>18,171,172</u></u>

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial report.

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

13. RESERVES - CASH BACKED (continued)

In accordance with council resolutions in relation to each reserve account, the purpose for which the funds are set aside are as follows:

On 15th December 2003, Council adopted a strategic policy on Reserve Funds. That policy classified reserves into three groupings as follows:

- (i) Indefinite or Long Term Reserves
- (ii) 5 Year Plan & Asset Maintenance Reserves
- (iii) Short Term Reserves to meet External Requirements

(i) Indefinite or Long Term Reserves

(a) Investment Reserve

Purpose of Reserve

- Established for the purpose of realising and making investments in income producing assets. A specified list of investment properties forms part of the investments. Funds will not be withdrawn from the reserve to subsidise operating or recurrent expenditure, nor shall funds be withdrawn for the purposes of providing community facilities that do not provide a commercial rate of return, unless specifically decided otherwise by the Council.
- Council Policy SG14 Investments – Property and Other Non-Current Assets also refers.

Source of Income

- Net proceeds of sale of nominated freehold properties, unless otherwise resolved by Council.
- Net proceeds from the sale of miscellaneous parcels of land, unless otherwise resolved by Council.
- Transfer from municipal fund of principal repayment equivalent for Loan 189 (Queensgate) that was paid out in January 2005 using funds from the Investment Reserve.
- Net proceeds from the winding up of the City of Fremantle Trust Fund as per the City of Fremantle and Town of East Fremantle Trust Funds (Amendment and Expiry) Bill 2013.

(ii) 5 Year Plan & Asset Maintenance Reserves

(b) Art and Cultural Facilities Reserve

Purpose of Reserve

- Finance and encourage Public Art in the City of Fremantle. Finance the design and construction of a water fountain within the Kings Square reserve. Finance and encourage the establishment of cultural facilities within the municipality.

Source of Income

- Municipal Fund contribution as approved by Council in the Annual Budget.

(c) Heritage Places Reserve

- The Heritage Property Acquisition & Major Renewal Reserve was amalgamated with the Heritage Places Reserve and the purpose and sources of funding added to the Heritage Places Reserve in the 2012/2013 Budget.

Purpose of Reserve

- Finance the major upgrading and maintenance (including painting) to the Fremantle Town Hall.
- Conserve heritage places already owned by or vested in the Council.
- Augment external funds allocated to the City for the purpose of heritage conservation.
- Provide assistance to other owners of heritage places within the municipality where Council is satisfied that this is a proper, cost-effective and lawful use of the funds.
- To administer conservation fund appeals.
- To finance the additional costs of higher specified infrastructure improvements (e.g., footpaths, roads, landscaping, buildings, etc) to areas abutting or adjacent to heritage places where the higher specifications are incurred to maintain the area in sympathy with the heritage place.
- Purchase heritage properties within the municipality of Fremantle, which:
 - Are in a distinct need of conservation.
 - Council can conserve according to the Burra Charter principles

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

13. RESERVES - CASH BACKED (continued)

(c) Heritage Places Reserve (continued)

- Enable Council to demonstrate the Burra Charter model of conservation for others to follow; or
- In Council's estimation would not otherwise be conserved (restored) in accordance with Burra Charter principles.
- Finance major renewal, restoration or maintenance to heritage properties.
- Council Policy SG30 Heritage Places Reserve also refers.

Source of Income

- Municipal Fund contribution as approved by Council in the Annual Budget.
- Net sale of proceeds from sale of properties whose initial acquisition and restoration was financed from this reserve.

(d) Parking Dividend Equalisation Reserve

Purpose of Reserve

- Provide a smoothing out of revenue contributions to municipal operations from commercial parking activities. That is to be achieved as follows:- (a) by transferring net profits in excess of budget to the reserve, and (b) if required, when there is a material (i.e., plus 1%) net loss, transferring funds from the reserve to municipal fund to compensate for the loss.
- Fund commercial parking capital equipment and facilities or parking infringement capital equipment and facilities to the extent that the funds available in the reserve exceed 2.5% of budgeted gross parking revenue.

Source of Income

- Transfer from the municipal fund: - (i) net profit on commercial parking operations exceeding a set figure in the budget. Note: Net profit is calculated including depreciation and allocated support service costs, but excludes capital; and/or (ii) Transfer from the municipal fund amount(s) determined by Council through the Adopted Budget or Budget Review in relation to parking operations.
- Transfer from municipal fund amount(s) determined by Council through the Adopted Budget or Budget Review in relation to parking infringement operations.
- Net proceeds from sale of parking facilities as determined by Council through the Adopted Budget or Budget Review.

(e) Parks, Recreation and Facilities Reserve

Purpose of Reserve

- Finance improvements within the South Fremantle Tip Site reserve.
- Finance improvements within the Kings Square reserve.
- Finance tourism projects within the city.
- Finance facilities for sporting clubs on a self supporting loan basis in accordance with Council guidelines for such advances to clubs.
- Finance improvements within the Port & Leighton Beach reserve.
- Finance capital works and improvements at Fremantle Oval.
- Finance improvements or major refurbishments to other parks and recreation facilities within the municipality.

Source of Income

- Municipal Fund contribution as approved by Council in the Annual Budget.

(f) Carbon Neutrality Reserve

Purpose of Reserve

- Fund carbon neutral and/or carbon reduction initiatives.

Source of Income

- Municipal Fund contribution as approved by Council in the Annual Budget.

(g) Service Charge - Underground Power East Scheme Reserve

Purpose of Reserve

- To hold any service charges raised during the financial year that were unspent at 30 June relating to the Underground Power East Scheme.

Source of Income

- Revenue raised from a service charge that was unspent at the end of the financial year, i.e. 30 June.

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

13. RESERVES - CASH BACKED (continued)

(h) Fremantle Markets Conservation Reserve

Purpose of Reserve

- Fund conservation works to the Fremantle Markets.

Source of Income

- Contribution by lessee on signing of new lease in June 2008.
- Increase of rent derived from the premises for the first ten years of the lease commencing in June 2008 as a minimum to assist in obtaining external funding for implementing the Conservation Plan.

(i) Renewable Energy Investment Reserve

Purpose of Reserve

- To purchase sufficient carbon offsets to maintain the City's carbon neutral status. Remaining funds will then be used to invest in financially attractive renewable energy projects. These projects must result in "additional" renewable energy generation. If no financially attractive renewable energy projects can be identified, the fund will accumulate that year's contribution.

Source of Income

- Accept any surplus funds which may arise from the net selling price for the O'Hara St property.

(j) Leighton Precinct Maintenance

Purpose of Reserve

- To hold any specified area rate income raised during the financial year that were unspent at 30 June in relation to the Leighton Precinct maintenance.
- To fund the above normal costs associated with maintaining the higher standard of the landscaping of the Leighton residential area.

Source of Income

- Revenue raised from a specified area rate that was unspent at the end of the financial year, i.e., 30 June.

(k) Leisure Centre Upgrade

Purpose of Reserve

- Provide funds for major upgrading and refurbishment works at the Fremantle Leisure Centre.

Source of Income

- Transfer from the Investment Reserve as approved by Council.
- Transfer from municipal fund amount(s) determined by Council through the Adopted Budget or Budget Review.

(l) Fremantle Town Hall Refurbishment

Purpose of Reserve

- Provide funds for major refurbishment of the historic Fremantle Town Hall.

Source of Income

- Transfer from the Investment Reserve as approved by Council.
- Transfer from municipal fund amount(s) determined by Council through the Adopted Budget or Budget Review.

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

13. RESERVES - CASH BACKED (continued)

(m) Cantonment Hill Master Plan

Purpose of Reserve

- Fund capital works at Cantonment Hill in accordance with the Cantonment Hill Master Plan.

Source of Income

- Transfer from the Investment Reserve as approved by Council.
- Transfer from municipal fund amount(s) determined by Council through the Adopted Budget or Budget Review.

(n) Kings Square Improvements

Purpose of Reserve

- Fund capital works improvements to Kings Square.

Source of Income

- Transfer from the Investment Reserve as approved by Council.
- Transfer from municipal fund amount(s) determined by Council through the Adopted Budget or Budget Review.

(o) Play Spaces

Purpose of Reserve

- Fund capital works for play spaces, which can cover playground equipment and soft fall.

Source of Income

- Transfer from the Investment Reserve as approved by Council.
- Transfer from municipal fund amount(s) determined by Council through the Adopted Budget or Budget Review.

(p) Sustainability Reserve

Purpose of Reserve

- Fund sustainability plus carbon neutral and/or carbon friendly initiatives.

Source of Income

- Transfer from the Investment Reserve as approved by Council.
- Transfer from municipal fund amount(s) determined by Council through the Adopted Budget or Budget Review.

(q) Stan Reilly Property Re-Development Reserve

Purpose of Reserve

- Fund capital works for the re-development of the Stan Reilly site.

Source of Income

- Transfer from the Investment Reserve as approved by Council.
- Transfer from municipal fund amount(s) determined by Council through the Adopted Budget or Budget Review.

(r) HACC Asset Replacement Reserve

Purpose of Reserve

- Fund capital acquisitions for the Home & Community Care Program (HACC).

Source of Income

- Transfer from the Cash Operating Surplus of HACC Program as agreed by funding agency.

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

14. REVALUATION SURPLUS (continued)	2014	2013
	\$	\$
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
(a) Land Freehold		
Opening Balance	129,421,825	127,697,401
Revaluation Increment	-	1,724,424
Revaluation Decrement	(3,621,364)	-
	<u>125,800,461</u>	<u>129,421,825</u>
(b) Buildings Freehold		
Opening Balance	-	10,000
Revaluation Increment	-	-
Revaluation Decrement	-	(10,000)
	<u>-</u>	<u>-</u>
(c) Art Collection		
Opening Balance	538,385	538,385
Revaluation Increment	-	-
Revaluation Decrement	-	-
	<u>538,385</u>	<u>538,385</u>
(d) Roads		
Opening Balance	134,086,968	55,900,499
Revaluation Increment	-	78,186,469
Revaluation Decrement	-	-
	<u>134,086,968</u>	<u>134,086,968</u>
(e) Footpaths		
Opening Balance	14,123,993	13,423,332
Revaluation Increment	-	700,661
Revaluation Decrement	-	-
	<u>14,123,993</u>	<u>14,123,993</u>

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

14. REVALUATION SURPLUS	2014	2013
	\$	\$
(f) Drainage		
Opening Balance	4,046,618	1,813,861
Revaluation Increment	-	2,232,757
Revaluation Decrement	-	-
	<u>4,046,618</u>	<u>4,046,618</u>
(g) Parks & Ovals		
Opening Balance	2,590,522	2,987,016
Revaluation Increment	-	-
Revaluation Decrement	-	(396,494)
	<u>2,590,522</u>	<u>2,590,522</u>
(h) Infrastructure Buildings		
Opening Balance	44,131,209	40,470,426
Revaluation Increment	-	3,660,783
Revaluation Decrement	(5,222,214)	-
	<u>38,908,995</u>	<u>44,131,209</u>
(i) Infrastructure Land		
Opening Balance	1,499,998	-
Revaluation Increment	-	1,499,998
Revaluation Decrement	(250,120)	-
	<u>1,249,878</u>	<u>1,499,998</u>
(j) Furniture & Equipment		
Opening Balance	98,552	-
Revaluation Increment	-	98,552
Revaluation Decrement	-	-
	<u>98,552</u>	<u>98,552</u>
TOTAL ASSET REVALUATION SURPLUS	<u><u>321,444,372</u></u>	<u><u>330,538,070</u></u>

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

15. 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>39,450,065</u>	<u>39,180,437</u>	<u>32,294,305</u>

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

Net Result	2,282,872	1,663,766	2,344,363
Amortisation	-	-	(1,178,265)
Depreciation	7,337,837	8,893,459	9,161,641
(Profit)/Loss on Sale of Asset	614,339	1,485,430	33,255
(Increase)/Decrease in Receivables	(696,089)	-	185,069
(Increase)/Decrease in Inventories	(1,984)	-	17,606
Increase/(Decrease) in Payables	723,066	(1,000,000)	1,017,361
Increase/(Decrease) in Employee Provisions	370,760	-	371,209
Grants Contributions for the Development of Assets	(3,043,455)	(3,690,319)	(2,471,106)
(Increase)/Decrease in Revaluation of Assets	(87,354)	-	(838,633)
Non-Current Assets recognised due to changes in legislative requirements	-	-	(1)
Net Cash from Operating Activities	<u>7,499,992</u>	<u>7,352,336</u>	<u>8,642,499</u>

	2014 \$	2013 \$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank Overdraft limit	250,000	250,000
Bank Overdraft at Balance Date	-	-
Credit Card limit	450,000	450,000
Credit Card Balance at Balance Date	-	-
Total Amount of Credit Unused	<u>700,000</u>	<u>700,000</u>
Loan Facilities		
Loan Facilities - Current	1,491,418	1,421,436
Loan Facilities - Non-Current	9,737,890	7,879,308
Total Facilities in Use at Balance Date	<u>11,229,308</u>	<u>9,300,744</u>
Unused Loan Facilities at Balance Date	<u>1,114,441</u>	<u>188,474</u>

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

16. CONTINGENT LIABILITIES

The City has guaranteed by way of agreement its share of the Loan Liability to the Southern Metropolitan Regional Council (SMRC) and the Western Australian Treasury Corporation (funding body). The City's share of the outstanding loan liability of the Southern Metropolitan Regional Council (SMRC) as at 30 June 2014 is \$3,860,623 (representing 12.15% of \$31,761,623). This is made up of \$3,667,303 for the Resource Recovery Centre loan liability and \$193,320 for the SMRC Administration Loan Liability.

17. CAPITAL AND LEASING COMMITMENTS	2014	2013
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	49,650	-
- later than one year but not later than five years	124,125	-
- later than five years	-	-
	<u>173,775</u>	<u>-</u>
 (b) Rental Agreement Commitments		
Non-cancellable rental agreements contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	549,396	848,151
- later than one year but not later than five years	225,065	494,597
- later than five years	-	-
	<u>774,461</u>	<u>1,342,748</u>
 (c) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	652,403	1,128,244
- plant & equipment purchases	16,390	402,666
- acquisition of land	935,000	-
Payable:		
- not later than one year	1,603,793	1,530,910

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

18. INVESTMENT IN REGIONAL COUNCIL USING THE EQUITY METHOD

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

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

Participating Local Governments are required to make an annual contributions towards the acquisition of any asset of a capital nature required by the project plus pay gate fees for each tonne of waste they deliver to the facility. The capital costs for each participating Local Government member is based on the Australian Bureau of Statistics population statistics. Each project participant will develop equity in the project equal to the relevant proportion of the total capital loan repayments made by that project participant. The City of Fremantle's interest in the RRRC is 12.24 per cent.

The City of Fremantle has guaranteed, by way of agreement, its share of the Loan Liability to the SMRC and the Western Australian Treasury Corporation (funding body) as per Note 16. The City of Fremantle's share of the outstanding loan liabilities of SMRC at 30 June 2014 is \$3,860,623 (unaudited).

Related Party transactions with the SMRC and RRRC amount to \$2,760,036 for 2013/2014. These are made up of loan repayments for \$470,640 membership fees for \$87,740 and waste and recycling fees for \$2,201,655.

	Unaudited 2014 \$	Unaudited 2013 \$
The City's share in the net assets of the SMRC (excluding equity)	2,101,404	1,904,658
Equity Ratio	10.69%	10.81%

Represented by Share of Joint Venture entity's Financial Position:

Current assets	2,348,184	2,087,845
Non Current assets	8,016,246	8,984,405
Total assets	<u>10,364,430</u>	<u>11,072,250</u>
Current Liabilities	1,577,017	1,585,996
Non Current Liabilities	2,825,386	3,360,508
Total Liabilities	<u>4,402,403</u>	<u>4,946,504</u>
LESS: City of Fremantle's share of SMRC Loan Liability	3,860,623	4,221,088
Net assets	<u>2,101,404</u>	<u>1,904,658</u>
Net Increase / (Decrease) in Equity - SMRC Joint Venture	<u>196,746</u>	<u>(306,848)</u>

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

19. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2014 \$	2013 \$
Governance	62,161,075	51,442,832
General Purpose Funding	39,911,906	32,115,971
Law, Order, Public Safety	1,205,901	1,421,219
Health	40,343	54,348
Education and Welfare	9,554,284	11,054,513
Housing	-	619
Community Amenities	24,902	6,266
Recreation and Culture	85,886,069	87,611,153
Transport	221,892,319	224,277,164
Economic Services	10,575	9,487
Other Property and Services	92,282,249	108,567,741
Unallocated		
	<u>512,969,623</u>	<u>516,561,313</u>

20. FINANCIAL RATIOS

	2014	2013	2012
Current Ratio	1.07	1.11	1.20
Asset Sustainability Ratio	1.06	0.51	0.59
Debt Service Cover Ratio	3.71	4.49	2.66
Operating Surplus Ratio	(0.01)	(0.00)	(0.03)
Own Source Revenue Coverage Ratio	0.93	0.93	0.91
Asset Consumption Ratio	50.98%	51.47%	N/A
Asset Renewal Funding Ratio	46.26%	46.69%	N/A

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 $\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$

Debt Service Cover Ratio $\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$

Operating Surplus Ratio $\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$

Own Source Revenue Coverage Ratio $\frac{\text{own source operating revenue}}{\text{operating expenses}}$

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

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

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

21. TRUST FUNDS

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

	Balance 1 July 2013 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30 June 2014 \$
Cash In Lieu of Public Open Space*				
37 Strang St Beaconsfield Sub-division	334,650	13,279	-	347,929
17-21 Mather Rd Subdivision	165,766	6,577	-	172,343
Lot 16 Curedale/Lefroy Rd Beaconsfield	65,335	2,593	-	67,928
10 Jean St subdivision	-	40,587	-	40,587
	<u>565,751</u>	<u>63,036</u>	<u>-</u>	<u>628,787</u>

22. RESTRICTED CASH

Funds held at balance date over which the City has control but which have conditions attached.

Detail	Balance 1 July 2013 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30 June 2014 \$
Cash In Lieu of Parking	469,360	-	-	469,360
Cash In Lieu of Public Open Space				
ICI Site North Fremantle	22,136	-	(22,136)	-
29 Annie Street	67,700	-	-	67,700
Christian Brothers Site	131,830	-	-	131,830
Lot 502 Lefroy Road	61,600	-	-	61,600
Starline Gardens	2,940	-	-	2,940
Swan Hardware	26,899	-	-	26,899
Culver/Naylor	15,242	-	-	15,242
Bequests				
Gweneth Ewens	36,085	4,093	(5,503)	34,675
John Francis Boyd	2,700	-	-	2,700
Victor Felstead	28,634	3,510	-	32,144
Miscellaneous	67,662	1,353,576	(1,335,606)	85,632
	<u>932,788</u>	<u>1,361,179</u>	<u>(1,363,245)</u>	<u>930,721</u>

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

23. DISPOSALS OF ASSETS - 2013/14 FINANCIAL YEAR

The following assets were disposed of during the year.

Asset Class	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Investment Land & Building	7,008,775	7,500,000	7,378,650	7,500,000	369,875	-
Infrastructure Buildings	1,046,218	1,399,981	-	-	(1,046,218)	(1,399,981)
Fleet and Heavy Plant	135,840	67,151	150,184	67,500	14,344	349
Furniture and Equipment	28,853	89,798	37,275	4,000	8,422	(85,798)
Land & Building - Freehold	3,150,079	6,900,000	3,189,402	6,900,000	39,323	-
Intangibles	84	-	-	-	(84)	-
Land- Infrastructure	1	-	-	-	(1)	-
	11,369,850	15,956,930	10,755,511	14,471,500	(614,339)	(1,485,430)

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

24. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1 July 2013 \$	New Loans \$	Principal Repayments		Principal 30 June 2014		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
223 Streetscape Program	253,644	-	33,352	33,352	220,292	220,291	16,845	16,845
225 Streets Ahead (1)	528,235	-	57,936	57,936	470,299	470,299	34,759	34,759
232 Streets Ahead (2)	573,035	-	54,008	54,008	519,027	519,027	35,935	35,935
236 Streets Ahead (3)	498,873	-	40,445	40,445	458,428	458,428	31,555	31,555
242 Booyembara Park	36,325	-	28,837	28,837	7,488	7,488	1,132	1,132
244 Stan Reilly Building Upgrade	9,644	-	7,656	7,656	1,988	1,988	301	301
245 City Blueprint Projects	65,899	-	52,314	52,314	13,585	13,585	2,054	2,054
247 City Blueprint Projects	215,498	-	92,404	92,404	123,094	123,094	9,435	9,435
248 Footpath Replacements	83,097	-	35,631	35,631	47,466	47,466	3,638	3,638
252 Footpath Replacements	79,061	-	22,681	22,681	56,380	56,380	4,104	4,104
258 Footpath Replacements	101,762	-	21,383	21,383	80,379	80,379	6,151	6,151
265 Footpath Replacement	185,404	-	29,953	29,953	155,451	155,451	12,738	12,738
266 Heavy Plant/Vehicle Replacements	36,402	-	36,402	36,402	-	-	-	-
267 Local Government Software Acquisition	29,838	-	29,838	29,838	-	-	-	-
268 Local Government Software Acquisition	137,782	-	109,495	109,495	28,287	28,287	3,982	3,982
269 Heritage Restoration Projects	422,142	-	57,158	57,158	364,984	364,984	24,241	24,241
271 Road Asset Program	781,907	-	89,063	89,063	692,844	692,844	43,655	43,655
272 Footpath Asset Program	430,048	-	48,984	48,984	381,064	381,064	24,010	24,010
277 Road Asset Program	862,738	-	84,880	84,880	777,858	777,858	45,598	45,598
278 Footpath Asset Program	423,208	-	41,637	41,637	381,571	381,571	22,368	22,368
279 Fremantle Markets Upgrade	431,368	-	42,439	42,439	388,929	388,929	22,799	22,799
280 Road Rehabilitation & Improvement Program	562,923	-	51,512	51,512	511,411	511,411	21,192	21,192
281 Footpath Replacement Program	327,959	-	30,011	30,011	297,948	297,948	12,346	12,346
283 Fremantle Markets Upgrade	375,282	-	34,341	34,341	340,941	340,941	14,128	14,128
284 Road Asset Program	650,000	-	39,870	39,870	610,130	610,130	26,057	26,057
287 Leighton Beach Kiosk	-	-	-	-	-	1,100,000	-	-
289 Road Asset Program	-	1,760,000	-	-	1,760,000	1,760,000	-	-
290 Footpath Asset Program	-	355,000	-	-	355,000	355,000	-	-
291 Drainage Asset Program	-	300,000	-	-	300,000	300,000	-	-
292 Wardens Cottages	-	-	-	-	-	1,000,000	-	-
293 New Works Depot	-	-	-	-	-	14,000,000	-	-
294 Acquisition 73 Hampton Road	-	935,000	-	-	935,000	-	-	-
Sub Total of Municipal Loans	8,102,074	3,350,000	1,172,230	1,172,230	10,279,844	25,444,843	419,023	419,023

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

24. INFORMATION ON BORROWINGS

(a) Repayments - Debentures (continued)

Self Supporting Loans

251 Silver Chain - Self Supporting Loan
288 Fremantle Workers Club- Self Supporting Loan
Sub Total of Self Supporting Loans*

Principal 1 July 2013 \$	New Loans \$	Principal Repayments		Principal 30 June 2014		Interest Repayments	
		Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
868,670	-	249,206	249,206	619,464	619,465	45,088	45,088
330,000	-	-	-	330,000	330,000	13,645	13,645
1,198,670	-	249,206	249,206	949,464	949,465	58,733	58,733

Total as per Consolidated Financial Statements

9,300,744	3,350,000	1,421,436	1,421,436	11,229,308	26,394,308	477,756	477,756
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Loans from Controlled Entity
193 Property Purchase - Fast Eddys
239 Booyembara Park Stages 2 & 3
240 Streets Ahead Program
250 Leisure Centre Developments
Sub Total

Principal 1 July 2013 \$	New Loans \$	Principal Repayments		Principal Extinguished(#)	Principal 30 June 2014		Interest Repayments	
		Actual \$	Budget \$	Actual \$	Actual \$	Budget \$	Actual \$	Budget \$
453,322	-	9,522	39,236	443,800	-	414,086	-	34,764
5,304	-	5,304	5,304	-	-	-	-	-
96,796	-	1,773	7,238	95,023	-	89,558	-	5,085
36,563	-	3,837	15,678	32,726	-	20,885	-	1,527
591,985	-	20,436	67,456	571,549	-	524,529	-	41,376

City of Fremantle Loan Liability

9,892,729	3,350,000	1,441,872	1,488,892	571,549	11,229,308	26,918,837	477,756	519,132
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(*) Self supporting loan financed by payments from third parties.
All other loan repayments were financed by general purpose revenue.

(#) Refer Note 35. Loans from controlled entity were extinguished in August 2013 upon abolition of controlled entity.

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

24. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2013/14

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used	
	Actual \$	Budget \$						Actual \$	Budget \$
287 Leighton Beach Kiosk	-	1,100,000		Debenture	10	-	-	-	-
289 Road Asset Program	1,760,000	1,760,000	WATC	Debenture	10	399,094	3.99%	1,760,000	1,760,000
290 Footpath Asset Program	355,000	355,000	WATC	Debenture	10	80,499	3.99%	355,000	355,000
291 Drainage Asset Program	300,000	300,000	WATC	Debenture	10	68,027	3.99%	300,000	300,000
292 Wardens Cottages	-	1,000,000		Debenture	10	-	-	-	-
293 New Works Depot	-	14,000,000		Debenture	20	-	-	-	-
294 Acquisition 73 Hampton Road (#)	935,000	-	WATC	Debenture	10	212,431	4.03%	935,000	-
	3,350,000	18,515,000				760,051		3,350,000	2,415,000

(#) Borrowing approved after adoption of budget.

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 1 July 13 \$	Borrowed During Year \$	Expended During Year \$	Balance 30 June 14 \$
257 Blueprint Projects	2006/2007	84,602	-	84,602	-
283 Fremantle Markets Upgrade	2011/2012	103,872	-	-	103,872
294 Acquisition 73 Hampton Road	2013/2014	-	935,000	-	935,000
290 Footpath Asset Program	2013/2014	-	355,000	279,431	75,569
		188,474	1,290,000	364,033	1,114,441

(d) Overdraft

Council established an overdraft facility of \$250,000 to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2013 and 30 June 2014 was \$nil.

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

25. 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											
General Differential	0.07344	9,284	312,508,289	22,950,564	64,374	-	23,014,938	22,950,563	120,295	-	23,070,858
City Centre Commercial	0.07785	391	73,866,233	5,750,484	43,488	-	5,793,972	5,750,485	32,000	-	5,782,485
Vacant Residential land	0.13893	224	6,675,260	927,393	(47,074)	-	880,319	927,393	-	-	927,393
Undeveloped CBD Zone Property	0.14688	2	343,000	50,380	11,383	-	61,763	50,380	-	-	50,380
Undeveloped Commercial/Industrial	0.14687	46	2,048,350	300,841	(58,142)	-	242,699	300,841	-	-	300,841
Nightclubs	0.14686	3	2,102,716	308,805	-	-	308,805	308,805	-	-	308,805
Sub-Totals		9,950	397,543,848	30,288,467	14,029	-	30,302,496	30,288,467	152,295	-	30,440,762
Minimum Rates	\$										
General Differential	1,099	4,727	59,808,300	5,194,973	-	-	5,194,973	5,194,973	-	-	5,194,973
City Centre Commercial	1,099	51	511,363	56,049	-	-	56,049	56,049	-	-	56,049
Vacant Residential land	1,400	189	1,457,405	264,600	-	-	264,600	264,600	-	-	264,600
Undeveloped CBD Zone Property	1,400	-	-	-	-	-	-	-	-	-	-
Undeveloped Commercial/Industrial	1,400	12	61,040	16,800	-	-	16,800	16,800	-	-	16,800
Nightclubs	1,400	-	-	-	-	-	-	-	-	-	-
Sub-Totals		4,979	61,838,108	5,532,422	-	-	5,532,422	5,532,422	-	-	5,532,422
Ex-Gratia Rates							35,834,918				-
Total Amount Raised From General Rate		14,929	459,381,956	35,820,889			35,834,918	35,820,889			35,973,184
Specified Area Rate (refer note 26.)							135,328				135,841
Totals							35,970,246				36,109,025

All land except exempt land in the City of Fremantle is rated according to its Gross Rental Value (GRV).

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

25. 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) 1 July 13 Brought Forward	<u>1,856,988</u>	<u>2,396,153</u>	<u>2,396,153</u>
<u>Comprises:</u>			
Cash and Cash Equivalents			
Unrestricted	11,551,907	12,888,763	12,888,763
Restricted	27,898,158	19,405,542	19,405,542
Receivables			
Rates Outstanding	227,827	500,276	500,276
Sundry Debtors	1,578,580	1,258,131	1,258,131
GST Receivable	995,719	368,377	368,377
Loans - Clubs/Institutions	200,237	134,063	134,063
Inventories			
Depot Fuel and Materials	78,703	83,817	83,817
Arts Centre Stock on Hand	36,718	41,995	41,995
Leisure Centre Stock on Hand	45,129	34,394	34,394
Fremantle Visitor Centre	9,789	8,149	8,149
<u>Less:</u>			
Trade and other Payables			
Sundry Creditors	(4,864,005)	(4,263,469)	(4,263,469)
Accrued Interest on Debentures	(115,194)	(130,169)	(130,169)
Accrued Salaries and Wages	(655,855)	(570,472)	(570,472)
Income Received in Advance	(331,932)	(273,992)	(273,992)
GST Payable	(782,862)	(149,148)	(149,148)
Bonds and Deposits Held	(2,178,757)	(2,818,289)	(2,818,289)
Current Portion of Long Term Borrowings			
Debentures	(1,491,418)	(1,421,436)	(1,421,436)
Provisions			
Provision for Annual Leave	(2,427,764)	(2,335,720)	(2,335,720)
Provision for Long Service Leave	(2,735,248)	(2,457,278)	(2,457,278)
Fremantle Market-Prepaid Lease	(12,964)	(12,964)	(12,964)
Other Provisions	(584,728)	(638,013)	(638,013)
<u>Net Current Assets</u>	<u>26,442,040</u>	<u>19,652,557</u>	<u>19,652,557</u>
Less:			
Reserves - Restricted Cash	(25,431,452)	(18,171,172)	(18,171,172)
Non Current Leave Provisions	(801,277)	(734,282)	(734,282)
Loans - Clubs/Institutions	(200,237)	(134,063)	(134,063)
Add:			
Loan Repayments (Current)	1,491,418	1,421,436	1,421,436
Non Current Rates Debtors	356,496	335,749	335,749
Prepaid Lease	-	25,928	25,928
Surplus/(Deficit)	<u><u>1,856,988</u></u>	<u><u>2,396,153</u></u>	<u><u>2,396,153</u></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.

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

26. SPECIFIED AREA RATE - 2013/14 FINANCIAL YEAR

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Security Levy	0.00113	GRV	87,320,284	99,304	98,666	99,304	98,666
Leighton Precinct Maintenance	0.00488	GRV	7,618,110	36,024	37,175	-	-
				135,328	135,841	99,304	98,666

(a) Security Service.

In 2004/2005, Council introduced a security service for a specified area of the City Centre which is recovered via a specified area rate. The area covered by the service is those areas within the following boundary:- *"the area bounded by Parry Street, South Terrace, Suffolk Street, Fishing Boat Harbour (west of Mews Road) and along the coast to Bathers Beach, Fleet Street, Phillimore Street, and Elder Place."*

The objectives of the service are:-

- (a) Reduce anti-social behaviour on the street, e.g. theft, vandalism, graffiti
- (b) Reduce noise and disturbance for residents
- (c) Reduce illegal drug and street drinking activity
- (d) Better monitor and respond to impacts of licensed premises
- (e) Achieve safer, smoother access and transport solutions at "night hotspot times"

The services/facilities that it is intended to provide are:-

- Physical presence on the street
- Call out/response capability
- Lighting & Infrastructure Improvements
- Inspection regime
- Installation, maintenance and/or monitoring of security cameras

(b) Leighton Precinct Maintenance

To fund the above normal costs associated with maintaining the higher standard of the landscaping of the Leighton residential area.

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

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

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
Rates	Waiver		281,454	268,000
Rates	Write Off		37,638	-
Parking & Infringement	Write Off		45,683	-
Sundry Debtors	Write Off		207,328	-
Sundry Debtors	Waiver		37,004	-

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

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.0%		96,699	100,000
Interest on Instalments Plan	5.5%		175,414	175,000
Total Interest			272,113	275,000
Charges on Instalment Plan		33	138,749	207,900
			410,862	482,900

Ratepayers had the option of paying rates in four equal instalments, due on 3 October 2013, 3 December 2013, 3 February 2014 and 3 April 2014. Administration charges and interest applied for the final three instalments.

29. FEES & CHARGES	2014 \$	2013 \$
Governance	34,906	26,272
General Purpose Funding	256,151	310,145
Law, Order, Public Safety	2,231,261	2,932,138
Health	467,661	435,185
Education and Welfare	121,322	165,809
Housing	84,096	112,705
Community Amenities	1,796,658	1,796,199
Recreation and Culture	2,941,355	4,536,496
Transport	11,586,032	11,158,457
Economic Services	497,747	542,534
Other Property and Services	3,732,032	4,084,369
	<u>23,749,221</u>	<u>26,100,309</u>

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

30. GRANT REVENUE

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

	2014	2013
	\$	\$
By Nature or Type:		
Operating Grants, Subsidies and Contributions	4,552,675	4,560,145
Non-Operating Grants, Subsidies and Contributions	<u>3,043,455</u>	<u>2,471,107</u>
	<u><u>7,596,130</u></u>	<u><u>7,031,252</u></u>
By Program:		
Governance	203,171	195,357
General Purpose Funding	511,893	1,019,031
Law, Order, Public Safety	70,000	65,633
Health	5,373	-
Education and Welfare	1,878,708	2,052,884
Housing	-	-
Community Amenities	-	-
Recreation and Culture	3,611,396	1,489,142
Transport	1,126,029	1,807,973
Economic Services	-	-
Other Property and Services	<u>189,560</u>	<u>401,232</u>
	<u><u>7,596,130</u></u>	<u><u>7,031,252</u></u>
 Operating Grants Classified for Operating Surplus Ratio		
- Operating Grants, Contributions & Donations	3,919,580	3,978,388
- Reimbursement & Recoveries	<u>633,095</u>	<u>581,757</u>
	<u><u>4,552,675</u></u>	<u><u>4,560,145</u></u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

	2014	2013
	<u>384</u>	<u>383</u>

32. ELECTED MEMBERS REMUNERATION

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

	2014	2014	2013
	\$	Budget	\$
		\$	
Mayor's Fees, Allowances & Motor Vehicle	133,172	133,750	78,722
Deputy Mayor's Fees & Allowances	48,750	48,750	22,000
Elected Member Fees	307,501	362,500	77,000
Elected Member Expense Reimbursement & Conferences	68,802	87,500	60,547
	<u>558,225</u>	<u>632,500</u>	<u>238,269</u>

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

33. MAJOR LAND TRANSACTIONS

Kings Square Precinct Redevelopment

At a special meeting on 12 November 2012 council approved the Kings Square Project Business Plan for public advertising. The Kings Square Project is the integrated development and redevelopment of a number of City-owned properties and functions - the library, administration offices, Queensgate Centre, Queensgate car park, Spicer site, Fremantle Visitor Centre and the public spaces within the Kings Square precinct - in conjunction with the redevelopment of the adjoining Myer building owned by Sirona Capital Management (Sirona).

The City of Fremantle and Sirona have signed a contract in regard to this redevelopment which includes milestones and is estimated to occur over a three to five year period.

Adelaide Street/Point Street Development

At its meeting on 22 August 2012 council adopted the business plan for the sale of the Adelaide/Point Street properties. Council subsequently accepted a tender from SKS Land Pty Ltd for the purchase of the properties and the sale was settled on 20 March 2014.

2 Jones Street O'Connor (Works Depot)

On 28 May 2014 Council approved the draft business plan for the acquisition of 2 Jones Street O'Connor for public advertising. Subsequent to advertising of the business plan an offer was made to purchase the property and settlement occurred in September 2014.

	2014 \$	2014 Budget \$	2013 \$
(b) Current year transactions			
Capital Revenue			
- Sale Proceeds			
Adelaide Street/Point Street Development	10,000,000	10,000,000	-
- Loan Borrowings			
New Works Depot	-	14,000,000	-
Capital Expenditure			
New Works Depot		- (14,000,000)	-
	10,000,000	10,000,000	-
	10,000,000	10,000,000	-

(c) Expected Future Cash Flows

	2015 \$	2016 \$	2017 \$	2018 \$	Total \$
Cash Outflows					
City's New Works Depot	(8,000,000)	-	-	-	(8,000,000)
Kings Square Precinct Redevelopment	(500,000)	(30,100,000)	(17,400,000)	-	(48,000,000)
	(8,500,000)	(30,100,000)	(17,400,000)	-	(56,000,000)
Cash Inflows					
- Loan Proceeds	8,000,000	1,050,000	15,400,000	-	24,450,000
- Investment Reserve					
- Transfer From	-	16,100,000	-	-	16,100,000
- Sale Proceeds					
City's Current Depot	10,000,000	-	-	-	10,000,000
Spicers Site	-	6,650,000	-	-	6,650,000
Queensgate Centre	6,400,000	-	-	-	6,400,000
Queensgate Carpark	16,500,000	-	-	-	16,500,000
	40,900,000	23,800,000	15,400,000	-	80,100,000
Net Cash Flows	32,400,000	(6,300,000)	(2,000,000)	-	24,100,000

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

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

35. ASSETS OF THE CITY OF FREMANTLE TRUST

The Trust was set up by an Act of the Western Australian Parliament in 1961 and its operations were consolidated with the operations of the City of Fremantle

	2014	2013	2012
	\$	\$	\$
Cash & Investments	-	2,990,613	2,988,388
Loan Advances	-	591,985	672,623
Freehold Land & Buildings	-	1,875,001	1,700,000
Infrastructure Land & Buildings	-	1,606,501	1,683,876
	-	<u>7,064,100</u>	<u>7,044,887</u>

The City of Fremantle and Town of East Fremantle Trust Funds (Amendment and Expiry) Bill 2013 was passed through Parliament on 13 August 2013 and provided for:

- the abolition of the Fremantle Fund and the East Fremantle Fund;
- transfer of the assets and liabilities, inclusive of any existing financial proceedings, agreements or instruments of the Fremantle Fund to the City of Fremantle;
- re-vesting of Reserve 34837 from the Fremantle Fund to the City of Fremantle;

36. EVENTS POST 30 JUNE 2014

1) In decisions handed down in September and October 2014 the State Administrative Tribunal (SAT) quashed rates imposed by the city upon land rated by gross rental value for the 2012-13, 2013-14 and 2014-15 financial years. The differential rates that were the subject of the SAT review were those related to undeveloped property as opposed to vacant property. The estimated reduction in revenue from the decisions for the three financial years is estimated at \$86,247.

2) On 22 October 2014 the Minister for Local Government announced a plan to amalgamate the City of Fremantle and Town of East Fremantle to form a new City of Fremantle that would operate from 1 July 2015. Current indications are that the Governor's Orders to give effect to the new city will not be issued before February 2015.

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

37. 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	39,450,065	32,294,305	39,450,065	32,294,305
Receivables	3,954,361	3,392,335	3,954,361	3,392,335
Investments	-	1,904,658	-	1,904,658
	<u>43,404,426</u>	<u>37,591,298</u>	<u>43,404,426</u>	<u>37,591,298</u>
Financial Liabilities				
Payables	8,928,605	8,205,539	8,928,605	8,205,539
Borrowings	11,229,308	9,300,744	11,229,308	9,300,744
	<u>20,157,913</u>	<u>17,506,283</u>	<u>20,157,913</u>	<u>17,506,283</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables - estimated to the carrying value which approximates net market value.
- Borrowings, Held to Maturity Investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial Assets at Fair Value through profit and loss, Available for Sale Financial Assets - based on quoted market prices at the reporting date or independent valuation.

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

37. 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 with the assistance of independent advisers (where applicable). Council has an investment policy and the policy 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.

Cash and investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns.

Another risk associated with cash 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 investing in authorised institutions. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	2014	2013
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	394,501	350,410
- Statement of Comprehensive Income	394,501 ⁽²⁾	350,410 ^(*)

Notes:

⁽¹⁾ Sensitivity percentages based on management's expectation of future possible market movements.

⁽²⁾ Maximum impact.

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

37. 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.

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.

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	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of Other Receivables		
- Current	63.19%	48.17%
- Overdue	36.81%	51.83%

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

37. 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:

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2014</u>					
Payables	8,928,605	-	-	8,928,605	8,928,605
Borrowings	1,491,418	5,472,111	4,265,779	11,229,308	11,229,308
	<u>10,420,023</u>	<u>5,472,111</u>	<u>4,265,779</u>	<u>20,157,913</u>	<u>20,157,913</u>
<u>2013</u>					
Payables	8,205,539	-	-	8,205,539	8,205,539
Borrowings	1,421,436	4,549,350	3,329,958	9,300,744	9,300,744
	<u>9,626,975</u>	<u>4,549,350</u>	<u>3,329,958</u>	<u>17,506,283</u>	<u>17,506,283</u>

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

37. 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><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>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year Ended 30 June 2014</u>								
Payables	8,928,605	-	-	-	-	-	8,928,605	
Borrowings	1,491,418	1,526,565	1,330,932	1,297,812	1,316,802	4,265,779	11,229,308	
Fixed Rate								
Debentures	1,491,418	1,526,565	1,330,932	1,297,812	1,316,802	4,265,779	11,229,308	5.12%
Weighted Average Effective Interest Rate	5.12%	5.12%	5.12%	5.12%	5.12%	5.12%		
<u>Year Ended 30 June 2013</u>								
Payables	8,205,539	-	-	-	-	-	8,205,539	
Borrowings	1,421,436	1,291,676	1,239,183	1,031,879	986,612	3,329,958	9,300,744	
Fixed Rate								
Debentures	1,421,435	1,291,676	1,239,183	1,031,879	986,612	3,329,958	9,300,743	5.64%
Weighted Average Effective Interest Rate	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%		

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

We have audited the accompanying financial report of the City of Fremantle, which comprises the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity, statement of cash flows, and rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report and the statement by the Chief Executive Officer.

Responsibility of Council for the financial report

The Council of the City of Fremantle is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1995. This responsibility includes such internal controls as Council determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the City of Fremantle's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Fremantle's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's Opinion

In our opinion,

- a the financial report of the City of Fremantle
 - i presents fairly, in all material respects, the City of Fremantle's financial position as at 30 June 2014 and of its performance and cash flows for the year then ended;
 - ii complies with Australian Accounting Standards (including the Australian Accounting Interpretations); and
 - iii is prepared in accordance with the requirements of the Local Government Act 1995 (as amended) and Regulations under that Act.

Other Matter

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance
Perth, 17 November 2014