



Agenda

Special Audit and Risk Management Committee

Monday, 13 January 2020, 5:30 pm

CITY OF FREMANTLE

NOTICE OF AN AUDIT AND RISK MANAGEMENT COMMITTEE MEETING

Elected Members

An Audit and Risk Management Committee meeting of the City of Fremantle will be held on **Monday, 13 January 2020** in the Administration Building, located at the Fremantle Oval, 70 Parry Street, Fremantle commencing at 5:30 pm.

A handwritten signature in black ink, appearing to read 'Glen Dougall', written in a cursive style.

Glen Dougall
Director City Business

9 January 2020

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CITY OF FREMANTLE

Audit and Risk Management Committee

Agenda

1. Official opening, welcome and acknowledgement

We would like to acknowledge this land that we meet on today is the traditional lands of the Whadjuk people and that we respect their spiritual relationship with their country. We also acknowledge the Whadjuk people as the Traditional Owners of the greater Walyalup area and that their cultural and heritage beliefs are still important to the living Whadjuk people today.

2. Attendance, apologies and leaves of absence

There are no previously received apologies or approved leave of absence.

3. Disclosures of interests

Elected members must disclose any interests that may affect their decision-making. They may do this in a written notice given to the CEO; or at the meeting.

4. Deputations

4.1 Special deputations

A special deputation may be made to the meeting in accordance with the City of Fremantle Meeting Procedures Policy 2018.

There are no special deputation requests.

4.2 Presentations

Elected members and members of the public may make presentations to the meeting in accordance with the City of Fremantle Meeting Procedures Policy 2018.

5. Confirmation of minutes

Officer's recommendation

That the minutes of the Audit and Risk Management Committee meeting dated the 12 November 2019 be confirmed as a true and accurate record.

6. Elected member communication

Elected members may ask questions or make personal explanations on matters not included on the agenda.

7. Reports and recommendations

ARMC2001-1 ANNUAL FINANCIAL STATEMENTS - 2019

Meeting date:	13 January 2020
Responsible officer:	Manager Finance
Decision making authority:	Council
Agenda attachments:	<ol style="list-style-type: none"> 1. Independent auditor's report for the year ending 30 June 2019 2. Audited financial report with full set of financial statements for year ending 30 June 2019
Additional information:	<ol style="list-style-type: none"> 1. Audit concluding memorandum (Confidential)

SUMMARY

The audit of the City of Fremantle annual financial report for the year ending 30 June 2019 has been completed by the Office of the Auditor General (OAG) and Council has been provided with an independent auditor's report.

The City has received an unqualified audit report. In the opinion of the Auditor General the financial report of the City of Fremantle fairly represents the results of the operation of the City and its financial position for the year ending 30 June 2019.

This report recommends that the independent auditor's report be received and the audited financial report with full set of financial statements for the financial year ending 30 June 2019 be adopted.

BACKGROUND

The OAG have audited the annual financial report for the year ending 30 June 2019 and have provided an independent auditor's report as required under the relevant provisions of the *Local Government Act 1995* (the Act). The audit work was performed by Moore Stephens on behalf of the OAG.

In accordance with section 7.12A(2) of the Act and the *Local Government (Audit) Regulations 1997*, Council is required to meet with the external auditor at least once per year. Council has delegated to the Audit and Risk Management Committee the power to meet with the external auditor in accordance with the provisions of the Act.

An entrance meeting was held on 8 April 2019 prior to the commencement of the interim audit visit. This meeting was attended by Vince Turco, Director from the Office of the Auditor General along with the Auditors from Moore Stephens, City of Fremantle Mayor and Chair of the Audit and Risk Management Committee, Chief Executive Officer, Director City Business and Manager Finance. At the entrance meeting the Audit Strategy Memorandum 30 June 2019 was discussed. The key purposes of the memorandum are to:

- Set out the audit scope and approach in summary.
- Identify and communicate the key audit risk areas which the auditors expect to be the focus of the audit procedures.
- Promote effective communication between the auditor and those charged with governance.

The concluding (exit) audit meeting took place on Thursday 5 December 2019 and was attended by Vince Turco and Efthalia Samaras from the Office of the Auditor General along with the Auditors from Moore Stephens, City of Fremantle Mayor, Acting Chief Executive Officer, Director City Business and Manager Finance. At this meeting the Audit Concluding Memorandum was discussed. This report is attached for the Committee's review as a confidential attachment, the key outcomes are:

- Recommended to the OAG to issue an unmodified opinion on the audit of the City's financial report.
- Noted a significant adverse trend in the financial position of the City as the Operating Surplus Ratio has been below the Department Local Government, Sport and Cultural Industries (DLGSCI) threshold for the past 2 years, with the current year ratio also being below the previous year.
- Did not identify any non-trivial uncorrected audit differences or any significant deficiencies in internal controls.

FINANCIAL IMPLICATIONS

For year ending 30 June 2019 the closing balance as per the rate setting statement was a surplus of \$4,998,750. Of this a balance of \$390,373 remains unallocated and available funds for 2019-20. Below is a reconciliation of the end of year surplus.

Details	Amount	Balance
Surplus at end of year 30 June 2019		\$4,998,750
Less Carried Forward Projects		
Unspent grant funds at 30 June	(\$1,082,180)	\$3,916,570
Unspent municipal funds at 30 June	(\$3,366,124)	\$550,446
Less Income received in advance		
Fremantle Leisure Centre memberships	(\$160,073)	\$390,373

The allocation of the available \$390,373 will be addressed at the mid-year budget review.

LEGAL IMPLICATIONS

Section 7.12AD of the *Local Government Act 1995* states that,

- (1) the auditor must prepare and sign a report on a financial audit.
- (2) The auditor must give the report to -
 - a) the mayor, president or chairperson of the local government; and
 - b) the CEO of the local government; and
 - c) The Minister.

CONSULTATION

Nil

OFFICER COMMENT

Council has completed its annual financial statements for the year ended 30 June 2019 and received an unqualified audit report. The Auditor General has issued an independent auditors report.

The City received an unqualified audit report. In the opinion of the Auditor General the annual financial report of the City:

- (i) Is based on proper accounts and records; and
- (ii) Fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

The independent auditor reported in their opinion the following material matter indicates a significant adverse trend in the financial position of the City:

- a. The Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries standard for a second year, with the current year ratio also being below the previous year.

The financial ratios are reported at Note 36 to the annual financial report on page 71.

The DLGSCI operational guideline 18 on financial ratios defines the operating surplus ratio as a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes. The guideline sets the basic standard as met with a ratio result between 0.01 and 0.15. An advanced standard is met with a ratio result above 0.15.

The ratio results for the last 3 years have been:

Audit results	2019 Actual	2018 Actual	2017 Actual
Operating surplus ratio	(0.08)	(0.02)	0.14

The adverse trend result for 30 June 19 was due to an additional \$4m in one-off operating expenditure which reduced the overall net result (and therefore increased the operating deficit) made up of:

1. Sale of Tapper St Mews – Loss on asset disposal of \$2.43m
2. Fair value adjustment to assets held for resale 12 Holdsworth St and 12 Josephson St – Loss on fair value adjustment of \$1.57m

By removing the above one-off items the adjusted operating surplus ratio for 30 June 19 would be (0.02), the same as the previous year:

After one-off adjustment	2019 Actual	2018 Actual
Adjusted Operating surplus ratio	(0.02)	(0.02)

In order to achieve a ratio result of above 0.01 the operating revenue (excluding non-operating grants) must be greater than the operating expenditure (including depreciation) for the City. This matter will be discussed further as part of the upcoming long term financial plan and annual budget workshops.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple Majority Required

OFFICER'S RECOMMENDATION

Council:

1. **Receive the Independent Auditor's Report as provided in attachment 1, issued by the Auditor General for the financial year ending 30 June 2019.**
2. **Adopt the Audited Financial Report with full set of financial statements as provided in attachment 2, for the City of Fremantle for the financial year ending 30 June 2019.**

8. Motions of which previous notice has been given

A member may raise at a meeting such business of the City as they consider appropriate, in the form of a motion of which notice has been given to the CEO.

Nil

9. Urgent business

In cases of extreme urgency or other special circumstances, matters may, on a motion that is carried by the meeting, be raised without notice and decided by the meeting.

10. Late items

In cases where information is received after the finalisation of an agenda, matters may be raised and decided by the meeting. A written report will be provided for late items.

11. Confidential business

Members of the public may be asked to leave the meeting while confidential business is addressed.

Nil

12. Closure



Agenda attachments

Special Audit and Risk Management Committee

Monday, 13 January 2020, 5:30 pm

ATTACHMENT 1 - Independent auditor's report for the year ending 30 June 2019



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the City of Fremantle

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the City of Fremantle which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the City of Fremantle:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the City in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 to the annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the City's annual financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the City is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a annual financial report that is free from material misstatement, whether due to fraud or error.

In preparing the annual financial report, the CEO is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the City.

The Council is responsible for overseeing the City's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the annual financial report, including the disclosures, and whether the annual financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the City:
 - a. The Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries standard for the past 2 years, with the current year ratio also being below the previous year.

The financial ratios are reported at Note 36 to the annual financial report.

- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The annual financial report of the City for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The annual financial ratios for 2017 and 2018 in Note 36 of the audited annual financial report were included in the audited annual financial report for those years.

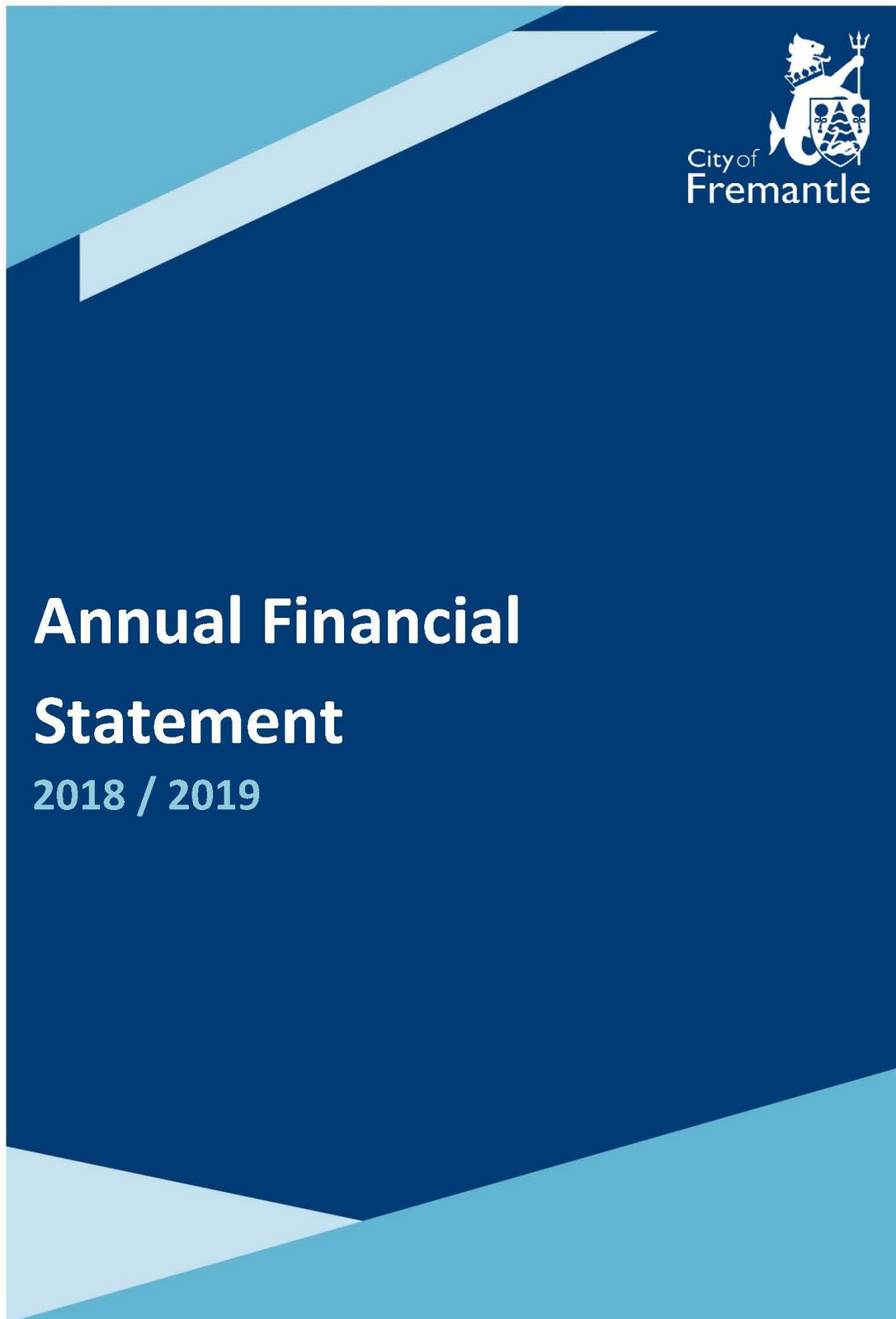
Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the City of Fremantle for the year ended 30 June 2019 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
9 December 2019

**ATTACHMENT 2 - Audited financial report with full set of financial statements
for year ending 30 June 2019**



CITY OF FREMANTLE

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2019

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CITY'S VISION

Vision for the future

Fremantle: a destination city

- A city that is clever and creative, inspiring and inclusive;
- A city that welcomes and celebrates all people and cultures;
- A city that encourages innovation, prosperity and achievement;
- A compassionate city that cares for the wellbeing of our people and the environment we share;
and
- A city that thrives on diversity, that dares to be different – and delivers on its promises.

Principal place of business:
Fremantle Oval
70 Parry Street
Fremantle WA 6160

**CITY OF FREMANTLE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019**

*Local Government Act 1995
Local Government (Financial Management) Regulations 1996*

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Fremantle for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the City of Fremantle at 30 June 2019 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 5th day of December 2019



Acting Chief Executive Officer

Paul Garbett

Name of Acting Chief Executive Officer

CITY OF FREMANTLE
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Rates	26(a)	45,809,107	45,717,348	44,083,300
Operating grants, subsidies and contributions	2(a)	3,615,583	3,361,563	3,977,600
Fees and charges	2(a)	23,738,475	22,828,983	22,984,299
Service charges	26(c)	7,576	11,919	-
Interest earnings	2(a)	1,847,113	1,613,761	2,048,714
Other revenue	2(a)	1,169,888	1,071,421	1,235,236
		<u>76,187,742</u>	<u>74,604,995</u>	<u>74,329,149</u>
Expenses				
Employee costs		(37,747,393)	(37,809,270)	(36,566,741)
Materials and contracts		(26,991,200)	(27,126,588)	(26,063,472)
Utility charges		(1,939,436)	(2,075,632)	(2,194,158)
Depreciation on non-current assets	11(c)	(7,154,608)	(6,983,915)	(6,676,768)
Insurance expenses		(859,138)	(751,780)	(729,658)
Other expenditure		(2,490,512)	(2,442,971)	(2,909,862)
		<u>(77,182,287)</u>	<u>(77,190,156)</u>	<u>(75,140,659)</u>
Finance Costs				
Interest expenses	2(b)	(389,660)	(389,677)	(756,905)
		<u>(389,660)</u>	<u>(389,677)</u>	<u>(756,905)</u>
Sub Total		<u>(1,384,205)</u>	<u>(2,974,838)</u>	<u>(1,568,415)</u>
Grants/Contributions for the Development of Assets				
Non-operating grants, subsidies and contributions	2(a)	2,659,194	3,234,502	3,096,806
		<u>2,659,194</u>	<u>3,234,502</u>	<u>3,096,806</u>
Profit/Loss on Disposal of Assets				
Profit on asset disposals	11(a)	62,630	659,000	21,322
(Loss) on asset disposals	11(a)	(2,439,905)	(12,948,150)	(46,837)
		<u>(2,377,275)</u>	<u>(12,289,150)</u>	<u>(25,515)</u>
Profit/Loss on Revaluation of Assets				
Fair value adjustments to financial assets at fair value through profit or loss	8	175,171	-	-
Share of profit or loss of associates accounted for using the equity method	22	(306,893)	-	293,781
Fair value adjustments to assets held for sale at fair value through profit or loss	7	(1,566,457)	-	-
		<u>(1,698,179)</u>	<u>-</u>	<u>293,781</u>
Net result for the period		<u>(2,800,465)</u>	<u>(12,029,486)</u>	<u>1,796,657</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	-	-	(70,073,071)
Total other comprehensive income for the period		<u>-</u>	<u>-</u>	<u>(70,073,071)</u>
Total comprehensive income for the period		<u>(2,800,465)</u>	<u>(12,029,486)</u>	<u>(68,276,414)</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 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
	2(a)			
Governance		241,509	161,560	189,088
General purpose funding		48,842,139	48,472,296	47,253,861
Law, order, public safety		2,532,653	2,213,791	2,335,920
Health		525,653	542,098	540,860
Education and welfare		886,494	857,895	1,447,178
Housing		-	-	240
Community amenities		2,006,167	2,284,624	1,644,558
Recreation and culture		8,849,958	7,979,936	8,710,824
Transport		9,779,734	9,540,365	9,614,409
Economic services		1,098,404	1,121,221	1,163,052
Other property and services		1,425,031	1,431,209	1,429,159
		76,187,742	74,604,995	74,329,149
Expenses				
	2(b)			
Governance		(7,340,568)	(5,686,279)	(11,862,507)
General purpose funding		(950,253)	(849,370)	(1,233,357)
Law, order, public safety		(4,717,031)	(4,534,101)	(3,939,060)
Health		(914,936)	(946,002)	(406,284)
Education and welfare		(2,701,556)	(2,581,853)	(3,352,649)
Housing		(643,285)	(493,709)	(82,699)
Community amenities		(12,061,870)	(13,002,150)	(11,120,293)
Recreation and culture		(25,973,800)	(23,923,528)	(21,248,818)
Transport		(14,505,226)	(14,799,919)	(14,605,550)
Economic services		(2,939,951)	(3,444,602)	(2,842,852)
Other property and services		(4,433,811)	(6,928,643)	(4,446,590)
		(77,182,287)	(77,190,156)	(75,140,659)
Finance Costs				
	2(b)			
Recreation and culture		(77,954)	(77,966)	(100,232)
Transport		(294,015)	(294,020)	(368,352)
Economic services		(17,691)	(17,691)	(22,932)
Other property and services		-	-	(265,389)
		(389,660)	(389,677)	(756,905)
		(1,384,205)	(2,974,838)	(1,568,415)

CITY OF FREMANTLE
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Grants/Contributions for the Development of Assets				
Non-operating grants, subsidies and contributions	2(a)	2,659,194	3,234,502	3,096,806
		2,659,194	3,234,502	3,096,806
Profit/Loss on Disposal of Assets				
Profit on disposal of assets	11(a)	62,630	659,000	21,322
(Loss) on disposal of assets	11(a)	(2,439,905)	(12,948,150)	(46,837)
		(2,377,275)	(12,289,150)	(25,515)
Profit/Loss on Revaluation of Assets				
Fair value adjustments to financial assets at fair value through profit or loss	8	175,171	-	-
Fair value adjustments to assets held for sale at fair value through profit or loss	7	(1,566,457)	-	-
Share of net profit of associates accounted for using the equity method	22	(306,893)	-	293,781
		(1,698,179)	-	293,781
Net result for the period		(2,800,465)	(12,029,486)	1,796,657
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	-	-	(70,073,071)
Total other comprehensive income for the period		-	-	(70,073,071)
Total comprehensive income for the period		(2,800,465)	(12,029,486)	(68,276,414)

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

CITY OF FREMANTLE
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019

	NOTE	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	3	16,146,977	7,710,744
Trade receivables	5	1,394,344	1,332,195
Other financial assets	8	28,300,032	34,237,152
Inventories	6	105,106	183,803
Other current assets	7	426,127	1,035,020
Assets classified as held for sale	7	2,386,725	-
TOTAL CURRENT ASSETS		48,759,311	44,498,914
NON-CURRENT ASSETS			
Trade receivables	5	555,879	530,246
Other financial assets	8(b)	175,171	-
Investments accounted for using the equity method	22(a)	3,658,403	4,374,049
Property, plant and equipment	9	252,785,164	250,980,233
Infrastructure	10	158,951,806	161,153,265
Investment property	13	31,556,082	39,195,014
TOTAL NON-CURRENT ASSETS		447,682,505	456,232,807
TOTAL ASSETS		496,441,816	500,731,721
CURRENT LIABILITIES			
Trade and other payables	14	6,244,049	5,876,727
Current portion of long term borrowings	15(a)	2,079,262	2,184,197
Employee related provisions	16	5,794,964	5,507,823
TOTAL CURRENT LIABILITIES		14,118,275	13,568,747
NON-CURRENT LIABILITIES			
Long term borrowings	15(a)	7,264,268	9,287,018
Employee related provisions	16	994,278	997,531
Trade and other payables- non- current	14	81,350	94,315
TOTAL NON-CURRENT LIABILITIES		8,339,896	10,378,864
TOTAL LIABILITIES		22,458,171	23,947,611
NET ASSETS		473,983,645	476,784,110
EQUITY			
Retained surplus		146,675,307	148,345,595
Reserves - cash backed	4	29,334,823	30,465,000
Revaluation surplus	12	297,973,515	297,973,515
TOTAL EQUITY		473,983,645	476,784,110

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 2019

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2017		134,510,305	43,541,283	368,046,586	546,098,174
Change in accounting policy	33	(1,037,650)	-	-	(1,037,650)
Restated total equity at the beginning of the financial year		133,472,655	43,541,283	368,046,586	545,060,524
Comprehensive income Net result for the period		1,796,657	-	-	1,796,657
Other comprehensive income	12	-	-	(70,073,071)	(70,073,071)
Total comprehensive income		1,796,657	-	(70,073,071)	(68,276,414)
Transfers from/(to) reserves		13,076,283	(13,076,283)	-	-
Balance as at 30 June 2018		148,345,595	30,465,000	297,973,515	476,784,110
Comprehensive income Net result for the period		(2,800,465)	-	-	(2,800,465)
Total comprehensive income		(2,800,465)	-	-	(2,800,465)
Transfers from/(to) reserves		1,130,177	(1,130,177)	-	-
Balance as at 30 June 2019		146,675,307	29,334,823	297,973,515	473,983,645

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 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		45,664,917	45,980,334	44,209,984
Operating grants, subsidies and contributions		4,279,992	3,467,223	3,430,268
Fees and charges		23,738,475	22,828,983	22,984,299
Service charges		7,576	-	-
Interest received		1,793,085	1,613,761	2,048,714
Goods and services tax received		3,558,126	(30,000)	4,039,301
Other revenue		1,169,888	1,071,421	1,235,236
		80,212,059	74,931,722	77,947,802
Payments				
Employee costs		(37,390,894)	(37,309,270)	(36,952,358)
Materials and contracts		(26,577,257)	(27,594,939)	(26,050,999)
Utility charges		(1,939,436)	(2,075,632)	(2,194,158)
Interest expenses		(443,160)	(389,677)	(829,562)
Insurance paid		(859,138)	(751,780)	(729,658)
Goods and services tax paid		(3,503,206)	-	(4,034,085)
Other expenditure		(2,490,512)	(2,675,957)	(3,130,743)
		(73,203,603)	(70,797,255)	(73,921,563)
Net cash provided by (used in) operating activities	17	7,008,456	4,134,467	4,026,239
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(9,677,360)	(54,398,695)	(5,955,447)
Payments for construction of infrastructure		(2,840,146)	(2,730,382)	(4,444,150)
Payments for investment property		(22,068)	(531,500)	(291,131)
Net proceeds for financial assets at amortised cost		5,937,120	-	15,941,452
Non-operating grants, subsidies and contributions		2,659,194	3,234,502	3,096,806
Proceeds from sale of property, plant & equipment		678,242	21,250,000	74,981
Proceeds from sale of investment property		6,283,683	7,951,850	-
Proceeds from sale of infrastructure		128,044	-	-
Net cash provided by (used in) investment activities		3,146,709	(25,224,225)	8,422,511
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		(1,718,932)	(1,718,932)	(10,041,743)
Proceeds from new borrowings		-	20,000,000	-
Net cash provided by (used in) financing activities		(1,718,932)	18,281,068	(10,041,743)
Net increase (decrease) in cash held		8,436,233	(2,808,690)	2,407,007
Cash at beginning of year		7,710,744	44,273,215	5,303,737
Cash and cash equivalents at the end of the year	17	16,146,977	41,464,525	7,710,744

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

CITY OF FREMANTLE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	27(b)	2,649,364	2,316,439	1,873,112
		2,649,364	2,316,439	1,873,112
Revenue from operating activities (excluding rates)				
Rates - Specified Area		159,116	159,113	151,820
Service Charges (Underground Power)		7,576	11,919	-
Operating Grants, Subsidies and Contributions		3,615,583	3,361,563	3,977,600
Fees and Charges		23,738,475	22,828,983	22,984,299
Interest Earnings		1,847,113	1,613,761	2,048,714
Profit on Sale of Assets		62,630	659,000	21,322
Other Revenue		1,345,059	1,071,421	1,529,017
		30,775,552	29,705,760	30,712,772
Expenditure from operating activities				
Employee Costs		(37,747,393)	(37,809,270)	(36,566,741)
Materials and Contracts		(26,991,200)	(27,126,588)	(26,063,472)
Depreciation on Non Current Assets		(7,154,608)	(6,983,915)	(6,676,768)
Interest Expenses		(389,660)	(389,677)	(756,905)
Utility Charges (gas, electricity, water)		(1,939,436)	(2,075,632)	(2,194,158)
Loss on Sale of Assets		(2,439,905)	(12,948,150)	(46,837)
Insurance Expenses		(859,138)	(751,780)	(729,658)
Other Expenditure		(4,363,862)	(2,442,971)	(2,909,862)
		(81,885,202)	(90,527,983)	(75,944,401)
Non-cash amounts excluded from operating activities	27(b)	11,188,211	19,273,065	6,560,802
Amount attributable to operating activities		(37,272,075)	(39,232,719)	(36,797,715)
INVESTING ACTIVITIES				
Capital Revenue				
Non-operating grants, subsidies and contributions		2,659,194	3,234,502	3,096,806
Proceeds from disposal of assets	11(a)	7,089,969	29,201,850	74,981
		9,749,163	32,436,352	3,171,787
Capital Expense				
Purchase of property, plant and equipment	9(a)	(9,677,360)	(54,398,695)	(5,955,447)
Purchase and construction of infrastructure	10(a)	(2,840,146)	(2,730,382)	(4,444,150)
Purchase of investment property	13	(22,068)	(531,500)	(291,131)
		(12,539,574)	(57,660,577)	(10,690,728)
Amount attributable to investing activities		(2,790,411)	(25,224,225)	(7,518,941)
FINANCING ACTIVITIES				
Repayment of borrowings	15(b)	(1,718,932)	(1,718,932)	(10,041,743)
Proceeds from borrowings	15(c)	-	20,000,000	-
		(1,718,932)	18,281,068	(10,041,743)
Reserve Transfers				
Transfer to Reserves (Restricted Assets) - Capital	4	(7,089,969)	(29,201,850)	-
Transfer to Reserves (Restricted Assets) - Operating	4	(62,212)	(66,556)	(312,211)
		(7,152,181)	(29,268,406)	(312,211)
Transfer from Reserves (Restricted Assets) - Capital	4	8,118,077	29,741,524	12,941,434
Transfer from Reserves (Restricted Assets) - Operating	4	164,281	219,523	447,060
		8,282,358	29,961,047	13,388,494
Amount attributable to financing activities		(588,755)	18,973,709	3,034,540
Surplus/(deficit) before imposition of general rates		(40,651,241)	(45,483,235)	(41,282,116)
Total amount raised from general rates	26	45,649,991	45,558,235	43,931,480
Surplus/(deficit) after imposition of general rates	27(b)	4,998,750	75,000	2,649,364

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

CITY OF FREMANTLE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	27(b)	2,649,364	2,316,439	1,873,112
		2,649,364	2,316,439	1,873,112
Revenue from operating activities (excluding rates)				
Office of the Chief Executive		3,980,315	3,222,931	3,743,437
City Business Directorate		19,767,448	19,633,807	19,904,976
Community Development Directorate		4,203,616	3,942,907	4,910,017
Strategic Planning and Projects Directorate		798,800	829,779	696,154
Infrastructure and Projects Directorate		2,025,321	2,066,336	1,441,626
People and Culture Directorate		52	10,000	16,562
		30,775,552	29,705,760	30,712,772
Expenditure from operating activities				
Office of the Mayor and Councillors		(692,979)	(928,917)	(801,563)
Office of the Chief Executive		(6,569,007)	(5,996,904)	(6,491,893)
City Business Directorate		(30,174,154)	(38,242,083)	(24,967,581)
Community Development Directorate		(12,661,590)	(12,107,079)	(12,302,151)
Strategic Planning and Projects Directorate		(3,222,226)	(3,520,896)	(3,640,843)
Infrastructure and Projects Directorate		(27,441,235)	(28,538,709)	(26,557,682)
People and Culture Directorate		(1,124,011)	(1,193,395)	(1,182,688)
		(81,885,202)	(90,527,983)	(75,944,401)
Non-cash amounts excluded from operating activities	27(b)	11,188,211	19,273,065	6,560,802
Amount attributable to operating activities		(37,272,075)	(39,232,719)	(36,797,715)
INVESTING ACTIVITIES				
Capital Revenue				
Non-operating grants, subsidies and contributions		2,659,194	3,234,502	3,096,806
Proceeds from disposal of assets	11(a)	7,089,969	29,201,850	74,981
		9,749,163	32,436,352	3,171,787
Capital Expense				
Purchase of property, plant and equipment	9(a)	(9,677,360)	(54,398,695)	(5,955,447)
Purchase and construction of infrastructure	10(a)	(2,840,146)	(2,730,382)	(4,444,150)
Purchase of investment property	13	(22,068)	(531,500)	(291,131)
		(12,539,574)	(57,660,577)	(10,690,728)
Amount attributable to investing activities		(2,790,411)	(25,224,225)	(7,518,941)
FINANCING ACTIVITIES				
Repayment of borrowings	15(b)	(1,718,932)	(1,718,932)	(10,041,743)
Proceeds from borrowings	15(c)	-	20,000,000	-
		(1,718,932)	18,281,068	(10,041,743)
Reserve Transfers				
Transfer to Reserves (Restricted Assets) - Capital	4	(7,089,969)	(29,201,850)	-
Transfer to Reserves (Restricted Assets) - Operating	4	(62,212)	(66,556)	(312,211)
		(7,152,181)	(29,268,406)	(312,211)
Transfer from Reserves (Restricted Assets) - Capital	4	8,118,077	29,741,524	12,941,434
Transfer from Reserves (Restricted Assets) - Operating	4	164,281	219,523	447,060
		8,282,358	29,961,047	13,388,494
Amount attributable to financing activities		(588,755)	18,973,709	3,034,540
Surplus/(deficit) before imposition of general rates		(40,651,241)	(45,483,235)	(41,282,116)
Total amount raised from general rates	26	45,649,991	45,558,235	43,931,480
Surplus/(deficit) after imposition of general rates	27(b)	4,998,750	75,000	2,649,364

**CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019**

1. 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) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008, have not been recognised in this financial report. This is not in accordance with the requirements of *AASB 1051 Land Under Roads paragraph 15* and *AASB 116 Property, Plant and Equipment paragraph 7*.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the report has 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 City controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 29 to these financial statements.

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

2 REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
Governance	-	-	11,080
General purpose funding	1,064,949	1,020,000	999,951
Law, order, public safety	1,370	5,000	26,995
Education and welfare	599,745	591,245	1,152,037
Community amenities	167,477	400,000	5,000
Recreation and culture	1,405,261	1,147,318	1,531,602
Transport	143,503	15,000	120,423
Economic services	75,000	75,000	98,000
Other property and services	158,278	108,000	32,512
	3,615,583	3,361,563	3,977,600
Non-operating grants, subsidies and contributions			
Governance	2,170	-	-
Law, order, public safety	742,712	371,356	-
Community amenities	150,000	-	-
Recreation and culture	971,278	1,632,000	1,498,225
Transport	788,135	1,231,146	1,598,581
Other property and services	4,899	-	-
	2,659,194	3,234,502	3,096,806
Total grants, subsidies and contributions	6,274,777	6,596,065	7,074,406

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

Grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

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

Grants, donations and other contributions (Continued)

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 25. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

2 REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Other revenue			
Reimbursements and recoveries	809,645	890,421	949,826
Other	360,243	181,000	285,410
	1,169,888	1,071,421	1,235,236
Fees and Charges			
Governance	51,217	51,560	52,153
General purpose funding	222,507	222,500	227,186
Law, order, public safety	2,238,524	1,949,575	2,039,890
Health	520,496	537,215	535,497
Education and welfare	270,892	249,720	264,010
Housing	-	-	240
Community amenities	1,751,688	1,797,624	1,632,578
Recreation and culture	6,956,684	6,379,533	6,558,538
Transport	9,616,745	9,525,365	9,480,573
Economic services	971,839	979,361	982,821
Other property and services	1,137,883	1,136,530	1,210,813
	23,738,475	22,828,983	22,984,299
There were no changes during the year to the amount of the fees or charges detailed in the original budget.			
Interest earnings			
Reserve accounts interest	777,398	744,457	1,051,383
Rates instalment and penalty interest (refer Note 26 (e))	388,609	360,000	380,442
Other interest earnings	681,106	509,304	616,889
	1,847,113	1,613,761	2,048,714
(b) Expenses			
Auditors remuneration			
- Audit of the Annual Financial Report	26,206	50,000	27,500
- Grant Acquittals	12,150	4,700	8,150
	38,356	54,700	35,650
Interest expenses (finance costs)			
Borrowings (refer Note 15(b))	389,660	389,677	756,905
	389,660	389,677	756,905
Rental charges			
- Operating leases	43,872	56,100	45,136
- Rental Agreements	563,779	575,800	650,938
	607,651	631,900	696,074

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

3 CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		13,146,977	7,710,744
Term Deposits		3,000,000	-
		<u>16,146,977</u>	<u>7,710,744</u>
Financial assets at amortised cost - term deposits	8(a)	28,300,032	34,237,152
		<u>44,447,009</u>	<u>41,947,896</u>
Comprises:			
- Unrestricted cash and cash equivalents		12,395,198	10,938,366
- Restricted cash and cash equivalents		32,051,811	31,009,530
		<u>44,447,009</u>	<u>41,947,896</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Cantonment Hill Master Plan Reserve	4	167,746	1,172,935
Community Care Programs Reserve	4	6,386	26,624
Former Stan Reilly Property Site Redevelopment Reserve	4	-	1,042,967
Fremantle Markets Conservation Reserve	4	271,415	271,415
Fremantle Oval Reserve	4	250,000	-
Investment Fund Reserve	4	21,361,254	19,238,741
Kings Square Improvements Reserve	4	-	1,326,695
Leighton Precinct Maintenance Reserve	4	213,117	207,874
Leisure Centre Upgrade Reserve	4	123,599	123,599
Parking Dividend Equalisation Reserve	4	6,260,718	6,381,138
Parks Recreation and Facilities Reserve	4	97,771	97,771
Renewable Energy Investment Reserve	4	575,241	575,241
White Gum Valley Precinct Community Bore Reserve	4	7,576	-
		<u>29,334,823</u>	<u>30,465,000</u>
Other restricted cash and cash equivalents			
Unspent grants/contributions	25	1,082,180	544,530
Bonds and Deposits Held	29	1,634,808	-
Total restricted cash and cash equivalents		<u>32,051,811</u>	<u>31,009,530</u>

SIGNIFICANT ACCOUNTING POLICIES

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 with original maturities of three months or less that are readily convertible to known amounts of cash

Cash and cash equivalents (Continued)

and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank 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 2019

4 RESERVES - CASH BACKED

	2019 Actual Opening Balance	2019 Actual Transfer (From)	2019 Actual Transfer To	2019 Actual Transfer Between	2019 Actual Closing Balance	2019 Budget Opening Balance	2019 Budget Transfer (From)	2019 Budget Transfer To	2019 Budget Closing Balance	2018 Actual Opening Balance	2018 Actual Transfer (From)	2018 Actual Transfer To	2018 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Cantonment Hill Master Plan Reserve	1,172,935	(505,189)	-	(500,000)	167,746	1,172,935	(508,002)	-	666,933	1,183,933	(10,989)	-	1,172,935
(b) Community Care Programs Reserve	26,624	(20,238)	-	-	6,386	26,624	(26,624)	-	-	76,545	(49,921)	-	26,624
(c) Former Stan Reilly Property Site Redevelopment Reserve	1,042,967	-	-	(1,042,967)	-	747,046	-	-	747,046	1,967,050	(924,083)	-	1,042,967
(d) Fremantle Markets Conservation Reserve	271,415	-	-	-	271,415	271,415	-	-	271,415	271,415	-	-	271,415
(e) Fremantle Oval Reserve	-	-	-	250,000	250,000	-	-	-	-	-	-	-	-
(f) Fremantle Town Hall Refurbishment Reserve	-	-	-	-	-	-	-	1,500,000	1,500,000	-	-	-	-
(g) Heritage Places Reserve	-	-	-	-	-	-	-	500,000	500,000	-	-	-	-
(h) Investment Fund Reserve	19,238,741	(6,280,423)	7,089,969	1,292,967	21,361,254	19,642,343	(27,719,807)	27,201,850	19,124,386	30,927,931	(11,954,404)	265,214	19,238,741
(i) Kings Square Improvements Reserve	1,326,695	(1,326,695)	-	-	-	1,326,695	(1,326,695)	-	-	1,326,695	-	-	1,326,695
(j) Leighton Precinct Maintenance Reserve	207,874	(49,393)	54,636	-	213,117	190,837	(40,000)	54,637	205,474	201,155	(40,278)	46,997	207,874
(k) Leisure Centre Upgrade Reserve	123,599	-	-	-	123,599	123,599	-	-	123,599	123,599	-	-	123,599
(l) Parking Dividend Equalisation Reserve	6,381,138	(120,420)	-	-	6,260,718	6,598,208	(330,000)	-	6,268,208	6,710,708	(329,570)	-	6,381,138
(m) Parks Recreation and Facilities Reserve	97,771	-	-	-	97,771	97,771	-	-	97,771	131,771	(34,000)	-	97,771
(n) Renewable Energy Investment Reserve	575,241	-	-	-	575,241	570,481	-	-	570,481	620,481	(45,240)	-	575,241
(o) White Gum Valley Precinct Community Bore Reserve	-	-	7,578	-	7,578	-	(11,919)	11,919	-	-	-	-	-
	30,465,000	(8,282,356)	7,152,161	-	29,334,823	30,767,954	(26,961,047)	28,266,406	30,075,313	43,541,263	(13,368,484)	312,211	30,465,000

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.

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CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

4 RESERVES - CASH BACKED (Continued)

In accordance with Council resolutions in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Cantonment Hill Master Plan Reserve	Ongoing	To fund capital works at Cantonment Hill in accordance with the Cantonment Hill Master Plan.
(b) Community Care Programs Reserve	Ongoing	To fund Community Care Programs.
(c) Former Stan Reilly Property Site Redevelopment Reserve	Ongoing	To fund capital works for the development of the Stan Reilly site.
(d) Fremantle Markets Conservation Reserve	Ongoing	To fund conservation works to the Fremantle Markets
(e) Fremantle Oval Reserve	Ongoing	To fund capital and business planning costs associated with the redevelopment of the Fremantle Oval precinct.
(f) Fremantle Town Hall Refurbishment Reserve	Ongoing	To provide funds for major refurbishment of the historic Fremantle Town Hall.
(g) Heritage Places Reserve	Ongoing	To finance the major upgrading and maintenance (including painting) to the Fremantle Town Hall. Conserve heritage places already owned 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 funds 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, enable Council to demonstrate the Burra Charter model of conservation for other to follow or in Council's estimation would otherwise be conserved (restored) in accordance with Burra Charter principles. Finance major renewal, restoration or maintenance of heritage properties. Council Policy SG30 Heritage Places Reserves also refers.
(h) Investment Fund Reserve	Ongoing	To realise and make 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 purpose of providing community facilities that do not provide a commercial rate of return, unless specifically decided otherwise by the Council.
(i) Kings Square Improvements Reserve	Ongoing	To fund capital improvements to Kings Square.
(j) Leighton Precinct Maintenance Reserve	Ongoing	To hold any specified area rate income raised during the financial year that were unspent at 30 June in relation to Leighton Precinct maintenance. To fund the above normal costs associated with maintaining the higher standard of the landscaping of the Leighton residential area.
(k) Leisure Centre Upgrade Reserve	Ongoing	To provide funds for major upgrading and refurbishment works at the Fremantle Leisure Centre.
(l) Parking Dividend Equalisation Reserve	Ongoing	To 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. 1%) net loss, transferring funds from the reserve to municipal fund to compensate the loss. Fund commercial parking capital equipment and facilities or parking infringement capital equipment and facilities to the extent the funds available in the reserve exceed 2.5% of budgeted gross parking revenue.
(m) Parks Recreation and Facilities Reserve	Ongoing	To fund improvements within the South Fremantle Tip Site Reserve. To finance improvements within the Kings Square Reserve. To finance tourism projects within the City. To finance facilities for sporting clubs on a self supporting loan basis in accordance with Council guidelines for such advances to clubs. To finance improvements within the Port and Leighton Beach Reserve. To finance capital works and improvements at Fremantle Oval. To finance improvements or major refurbishments to other parks and recreation facilities within the municipality.
(n) Renewable Energy Investment Reserve	Ongoing	To purchase sufficient carbon offsets to maintain the City's carbon neutral status. Remaining funds will then be used to invest in projects that promote positive renewable energy outcomes. If no renewable energy projects can be identified, the fund will accumulate that year's contribution.
(o) White Gum Valley Precinct Community Bore Reserve	Ongoing	To fund the associated costs required to maintain the community bore within the WGV development.

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CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

4 RESERVES - CASH BACKED (Continued)

Reserve Fund Balances and Movement Detail	Adopted Budget	Actual
	\$	\$
Cantonment Hill Master Plan Reserve		
<u>Reserve Purpose:</u>		
<i>To fund capital works at Cantonment Hill in accordance with the Cantonment Hill Master Plan.</i>		
<u>Source of Income:</u>		
<i>Transfer from the Investment Reserve as approved by Council. Transfer from Municipal Fund amounts determined by Council through the annual budget and budget review.</i>		
Opening Balance	1,172,935	1,172,935
Transfer to Investment Fund Reserve	-	(500,000)
Transfer to Reserves (Operating)	-	-
Transfer to Reserves (Capital)	-	-
Transfer from Reserves (Operating Projects)	-	-
Transfer from Reserves (Capital Projects)	(506,002)	(505,189)
<i>300076 - Project 10325 Refurbish Cantonment Hill Naval Store</i>	(506,002)	(505,189)
Closing Balance	666,933	167,746
Community Care Programs Reserve (Previous HACC Asset Replacement Reserve)		
<u>Reserve Purpose:</u>		
<i>To fund Community Care Programs.</i>		
<u>Source of Income:</u>		
<i>Transfer from final balance held in old HACC Asset Replacement Reserve at end of 17/18 financial year.</i>		
Opening Balance	26,624	26,624
Transfer to Reserves (Operating)	-	-
Transfer to Reserves (Capital)	-	-
Transfer from Reserves (Operating Projects)	(26,624)	(20,238)
<i>200477 Project 11807 Conduct Age Friendly Review</i>	(26,624)	(20,238)
Transfer from Reserves (Capital Projects)	-	-
Closing Balance	-	6,386

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

4 RESERVES - CASH BACKED (Continued)

Reserve Fund Balances and Movement Detail	Adopted Budget	Actual
	\$	\$
Former Stan Reilly Property Redevelopment Reserve		
<u>Reserve Purpose:</u>		
<i>To fund capital works for the development of the Stan Reilly site.</i>		
<u>Source of Income:</u>		
<i>Transfer from the Investment Reserve as approved by Council. Transfer from Municipal Fund amounts determined by Council through the annual budget and budget review.</i>		
Opening Balance	747,046	1,042,967
Transfer to Investment Fund Reserve	-	(792,967)
Transfer to Fremantle Oval Reserve	-	(250,000)
Transfer to Reserves (Operating)	-	-
Transfer to Reserves (Capital)	-	-
Transfer from Reserves (Operating Projects)	-	-
Transfer from Reserves (Capital Projects)	-	-
Closing Balance	747,046	-
Fremantle Markets Conservation Reserve		
<u>Reserve Purpose:</u>		
<i>To fund conservation works to the Fremantle Markets</i>		
<u>Source of Income:</u>		
<i>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>		
Opening Balance	271,415	271,415
Transfer to Reserves (Operating)	-	-
Transfer to Reserves (Capital)	-	-
Transfer from Reserves (Operating Projects)	-	-
Transfer from Reserves (Capital Projects)	-	-
Closing Balance	271,415	271,415
Fremantle Oval Reserve		
<u>Reserve Purpose:</u>		
<i>To fund capital and business planning costs associated with the redevelopment of the Fremantle Oval precinct</i>		
<u>Source of Income:</u>		
<i>Transfer from Former Stan Reilly Property Site Redevelopment Reserve as approved by Council. Transfer from Municipal Fund amounts determined by Council through the annual budget, budget review and budget amendments.</i>		
Opening Balance	-	-
Transfer from Former Stan Reilly Property Redevelopment Reserve	-	250,000
Transfer to Reserves (Operating)	-	-
Transfer to Reserves (Capital)	-	-
Transfer from Reserves (Operating Projects)	-	-
Transfer from Reserves (Capital Projects)	-	-
Closing Balance	-	250,000

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

4 RESERVES - CASH BACKED (Continued)

Reserve Fund Balances and Movement Detail	Adopted Budget	Actual
	\$	\$
Fremantle Town Hall Refurbishment Reserve		
<u>Reserve Purpose:</u>		
<i>To provide funds for major refurbishment of the historic Fremantle Town Hall.</i>		
<u>Source of Income:</u>		
<i>Transfer from the Investment Reserve as approved by Council. Transfer from Municipal Fund amounts determined by Council through the annual budget and budget review.</i>		
Opening Balance	-	-
Transfer to Reserves (Operating)	-	-
Transfer to Reserves (Capital)	1,500,000	-
300054 Project 11795 Disposal of Victoria Hall	1,500,000	-
Transfer from Reserves (Operating Projects)	-	-
Transfer from Reserves (Capital Projects)	-	-
Closing Balance	1,500,000	-
Heritage Places Reserve		
<u>Reserve Purpose:</u>		
<i>To finance the major upgrading and maintenance (including painting) to the Fremantle Town Hall. Conserve heritage places already owned 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 funds 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, enable Council to demonstrate the Burra Charter model of conservation for other to follow or in Council's estimation would otherwise be conserved (restored) in accordance with Burra Charter principles. Finance major renewal, restoration or maintenance of heritage properties. Council Policy SG30 Heritage Places Reserves also refers.</i>		
<u>Source of Income:</u>		
<i>Municipal Fund contribution as approved by Council in the annual budget. Net proceeds from sale of properties whose initial acquisition and restoration was financed from this reserve.</i>		
Opening Balance	-	-
Transfer to Reserves (Operating)	-	-
Transfer to Reserves (Capital)	500,000	-
300054 Project 11795 Disposal of Victoria Hall	500,000	-
Transfer from Reserves (Operating Projects)	-	-
Transfer from Reserves (Capital Projects)	-	-
Closing Balance	500,000	-

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

4 RESERVES - CASH BACKED (Continued)

Reserve Fund Balances and Movement Detail	Adopted Budget	Actual
	\$	\$
Investment Fund Reserve		
<u>Reserve Purpose:</u>		
<i>To realise and make 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 purpose of providing community facilities that do not provide a commercial rate of return, unless specifically decided otherwise by the Council.</i>		
<u>Source of Income:</u>		
<i>Net proceeds of sale of nominated freehold properties, unless otherwise resolved by Council. Net proceeds from 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 2006 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.</i>		
Opening Balance	19,642,343	19,238,741
Transfer from Cantonment Hill Master Plan Reserve	-	500,000
Transfer from Former Stan Reilly Property Redevelopment Reserve	-	792,967
Transfer to Reserves (Operating)	-	-
Transfer to Reserves (Capital)	27,201,850	7,089,969
300042 - Project-11049 Disposal of Jones Street O'Connor	7,800,000	-
300043 - Project-11803 Disposal of Knutsford Street Depot site	5,000,000	-
300047 - Project-10458 Disposal of 7 Quarry Street Fremantle	2,750,000	-
300053 - Project 11052 - Disposal of 9 Quarry Street Fremantle	2,250,000	-
300060 - Project-11801 Disposal of various fleet vehicles	150,000	39,969
300061 - Project-10467 Disposal of Car Park 13 The Malls	6,650,000	6,650,000
300062 - Project 11051 - Disposal of 12 Holdsworth Street	1,300,000	-
300063 - Project-11633 Dispose of investment land - 12 Josephson St	1,301,850	-
300092 - Project-11817 Disposal-Tapper Street Mews	-	400,000
Transfer from Reserves (Operating Projects)	(140,980)	(94,650)
200347 - Project-10920 Demolition of 7 Quarry Street Fremantle	(140,980)	(94,650)
Transfer from Reserves (Capital Projects)	(27,578,827)	(6,165,773)
300000 - Project-10297 Building development - Construct Council Office	(24,973,305)	(2,633,700)
300086 - P-11814 Building development - Consultants Council Administration Office	-	(733,747)
300087 - P-11598 Building development - Project Management fees	-	(542,100)
300065 - Project-10242 Install compliant lift and stairs to Evan Davies Building	(27,000)	(22,068)
300073 - Project-11077 Relocate Wireless network infrastructure	(39,378)	-
300074 - Project-11639 Civic Building demolition - Kings Square	(2,539,144)	(2,109,582)
300085 - P-10295 - Public Realm - Newman Court Construct-Kings Square	-	(124,576)
Closing Balance	19,124,386	21,361,254

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

4 RESERVES - CASH BACKED (Continued)

Reserve Fund Balances and Movement Detail	Adopted Budget	Actual
	\$	\$
Kings Square Improvements Reserve		
<u>Reserve Purpose:</u>		
<i>To fund capital improvements to Kings Square.</i>		
<u>Source of Income:</u>		
<i>Transfer from the Investment Reserve as approved by Council. Transfer from Municipal Fund amounts determined by Council through the annual budget and budget review.</i>		
Opening Balance	1,326,695	1,326,695
Transfer to Reserves (Operating)	-	-
Transfer to Reserves (Capital)	-	-
Transfer from Reserves (Operating Projects)	-	-
Transfer from Reserves (Capital Projects)	(1,326,695)	(1,326,695)
<i>300000 - Project-10297 Building development - Construct Council admii</i>	(1,326,695)	(1,326,695)
Closing Balance	-	-
Leighton Precinct Maintenance Reserve		
<u>Reserve Purpose:</u>		
<i>To hold any specified area rate income raised during the financial year that were unspent at 30 June in relation to Leighton Precinct maintenance. To fund the above normal costs associated with maintaining the higher standard of the landscaping of the Leighton residential area.</i>		
<u>Source of Income:</u>		
<i>Revenue raised from a specified area rate that was unspent at the end of the financial</i>		
Opening Balance	190,837	207,874
Transfer to Reserves (Operating)	54,637	54,636
<i>100913 - Leighton Precinct Maintenance SAR - Landscape (Soft)</i>	54,637	54,636
Transfer to Reserves (Capital)	-	-
Transfer from Reserves (Operating Projects)	(40,000)	(49,393)
<i>100913 - Leighton Precinct Maintenance SAR - Landscape (Soft)</i>	(40,000)	(49,393)
Transfer from Reserves (Capital Projects)	-	-
Closing Balance	205,474	213,117
Leisure Centre Upgrade Reserve		
<u>Reserve Purpose:</u>		
<i>To provide funds for major upgrading and refurbishment works at the Fremantle Leisure Centre.</i>		
<u>Source of Income:</u>		
<i>Transfer from the Investment Reserve as approved by Council. Transfer from Municipal Fund amounts determined by Council through the annual budget and budget review.</i>		
Opening Balance	123,599	123,599
Transfer to Reserves (Operating)	-	-
Transfer to Reserves (Capital)	-	-
Transfer from Reserves (Operating Projects)	-	-
Transfer from Reserves (Capital Projects)	-	-
Closing Balance	123,599	123,599

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

4 RESERVES - CASH BACKED (Continued)

Reserve Fund Balances and Movement Detail	Adopted Budget \$	Actual \$
Parking Dividend Equalisation Reserve		
<u>Reserve Purpose:</u>		
<i>To 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 the loss. Fund commercial parking capital equipment and facilities or parking infringement capital equipment and facilities to the extent the funds available in the reserve exceed 2.5% of budgeted gross parking revenue.</i>		
<u>Source of Income:</u>		
<i>Transfer from the Municipal Fund (a) 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 (b) Transfer from the Municipal Fund amounts determined by Council through the annual budget or budget review in relation to parking operations. Transfer from Municipal Fund amounts determined by Council through the annual budget or budget review in relation to parking infringement operations. Net proceeds from sale of parking facilities as determined by Council through the annual budget or budget review.</i>		
Opening Balance	6,598,208	6,381,138
Transfer to Reserves (Operating)	-	-
Transfer to Reserves (Capital)	-	-
Transfer from Reserves (Operating Projects)	-	-
Transfer from Reserves (Capital Projects)	(330,000)	(120,420)
300006 - Project-11797 Purchase body cameras	(15,000)	(8,145)
300010 - Project-11794 Integrated parking management application imp	(105,000)	(69,147)
300031 - Project-10949 Rebrand and replace parking signs	(45,000)	(43,128)
300039 - Project-11793 Replace electronic parking signs	(165,000)	-
Closing Balance	6,268,208	6,260,718
Parks Recreation and Facilities Reserve		
<u>Reserve Purpose:</u>		
<i>To fund improvements within the South Fremantle Tip Site Reserve. To Finance improvements within the Kings Square Reserve. To Finance tourism projects within the City. To finance facilities for sporting clubs on a self supporting loan basis in accordance with Council guidelines for such advances to clubs. To Finance improvements within the Port and Leighton Beach Reserve. To finance capital works and improvements at Fremantle Oval. To Finance improvements or major refurbishments to other parks and recreation facilities within the municipality.</i>		
<u>Source of Income:</u>		
<i>Municipal Fund contribution as approved by Council in the annual</i>		
Opening Balance	97,771	97,771
Transfer to Reserves (Operating)	-	-
Transfer to Reserves (Capital)	-	-
Transfer from Reserves (Operating Projects)	-	-
Transfer from Reserves (Capital Projects)	-	-
Closing Balance	97,771	97,771

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

4 RESERVES - CASH BACKED (Continued)

Reserve Fund Balances and Movement Detail	Adopted Budget	Actual
	\$	\$
Renewable Energy Investment Reserve		
<u>Reserve Purpose:</u>		
<i>To purchase sufficient carbon offsets to maintain the City's carbon neutral status. Remaining funds will then be used to invest in projects that promote positive renewable energy outcomes. If no renewable energy projects can be identified, the fund will accumulate that year's contribution.</i>		
<u>Source of Income:</u>		
<i>Transfer from Municipal Fund amounts determined by Council through the annual budget and budget review.</i>		
Opening Balance	570,481	575,241
Transfer to Reserves (Operating)	-	-
Transfer to Reserves (Capital)	-	-
Transfer from Reserves (Operating Projects)	-	-
Transfer from Reserves (Capital Projects)	-	-
Closing Balance	570,481	575,241
White Gum Valley Precinct Community Bore Reserve		
<u>Reserve Purpose:</u>		
<i>To fund the associated costs required to maintain the community bore within the WGV development.</i>		
<u>Source of Income:</u>		
<i>Revenue raised from a service charge that was unspent at the end of the financial year.</i>		
Opening Balance	-	-
Transfer to Reserves (Operating)	11,919	7,576
100738 -Service charge - use of community bore	11,919	7,576
Transfer to Reserves (Capital)	-	-
Transfer from Reserves (Operating Projects)	(11,919)	-
100738 -Service charge - use of community bore	(11,919)	-
Transfer from Reserves (Capital Projects)	-	-
Closing Balance	-	7,576
Summary		
Opening Balance	30,767,954	30,465,000
Transfer to Reserves (Operating)	66,556	62,212
Transfer to Reserves (Capital)	29,201,850	7,089,969
Transfer from Reserves (Operating Projects)	(219,523)	(164,281)
Transfer from Reserves (Capital Projects)	(29,741,524)	(8,118,077)
Closing Balance	30,075,313	29,334,823

**CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019**

5 TRADE RECEIVABLES

Current

Rates outstanding	
Sundry debtors	
Allowance for impairment of receivables	
GST receivable	

Non-current

Rates outstanding - pensioners	
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	2019	2018
	\$	\$
	510,737	392,180
	713,827	741,513
	(144,907)	(171,105)
	314,687	369,607
	1,394,344	1,332,195
	555,879	530,246
	555,879	530,246

SIGNIFICANT ACCOUNTING POLICIES

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.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 28

Classification and subsequent measurement

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.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

6 INVENTORIES

Current

	2019 \$	2018 \$
Consumables	59,819	95,444
Goods for sale	45,287	88,359
	105,106	183,803

The following movements in inventories occurred during the year:

Carrying amount at 1 July	183,803	156,505
Inventories expensed during the year	(983,785)	(795,571)
Additions to inventory	905,088	822,869
Carrying amount at 30 June	105,106	183,803

SIGNIFICANT ACCOUNTING POLICIES

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.

7 OTHER ASSETS AND ASSETS CLASSIFIED AS HELD FOR SALE

Other current assets

	2019 \$	2018 \$
Accrued Income	426,127	1,035,020
	426,127	1,035,020

Non-current assets held for sale

12 Josephson Street	1,301,850	-
12 Holdsworth Street	1,084,875	-
	2,386,725	-

Land and buildings classified as held for sale

During the year Council elected to dispose of the properties located at 12 Josephson Street and 12 Holdsworth Street. There are a number of parties have already shown an interest in the properties and the properties will be disposed in 2019-20 financial year.

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Non-current assets held for sale

Assets are classified as held for sale where the carrying amount will be recovered through a sale rather than continuing use and the asset is available for immediate sale with a sale being highly probable. The fair value of land and buildings was determined using the sales comparison approach using comparable properties in the area. This is a level 2 measurement as per the fair value hierarchy set out in Note 34.

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

8 OTHER FINANCIAL ASSETS

	<u>NOTE</u>	<u>2019</u>	<u>2018</u>
		\$	\$
(a) Current assets			
Other financial assets at amortised cost		28,300,032	34,237,152
		28,300,032	34,237,152
Other financial assets at amortised cost			
- Financial assets at amortised cost - term deposits	3	28,300,032	34,237,152
		28,300,032	34,237,152
(b) Non-current assets			
Financial assets at fair value through profit and loss		175,171	-
		175,171	-
Financial assets at fair value through profit and loss			
- <i>Unlisted equity investments</i>			
Units in Local Government House Trust		175,171	-
		175,171	-
During the year, the following gains/(losses) were recognised in profit and loss:			
Fair value gains/(losses) on equity investments at fair value through profit and loss are recognised in other gains/(losses) and classified as other property and services			
		175,171	-
		175,171	-

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

The City classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit and loss

The City classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the City has not elected to recognise fair value gains and losses through other comprehensive income.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 28.

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

9 PROPERTY, PLANT AND EQUIPMENT

(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.

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings	Total buildings	Total land and buildings	Furniture and Fittings	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	139,365,011	5,285,899	144,650,910	94,046,932	94,046,932	238,697,842	3,721,032	5,037,514	247,456,388
Additions	-	-	-	5,598,553	5,598,553	5,598,553	275,125	81,769	5,955,447
(Disposals)	-	-	-	-	-	-	-	(100,496)	(100,496)
Depreciation (expense)	-	-	-	(1,527,494)	(1,527,494)	(1,527,494)	(156,323)	(647,289)	(2,331,106)
Carrying amount at 30 June 2018	139,365,011	5,285,899	144,650,910	98,117,991	98,117,991	242,768,901	3,839,834	4,371,498	250,980,233
Comprises:									
Gross carrying amount at 30 June 2018	139,365,011	5,285,899	144,650,910	118,791,929	118,791,929	263,442,839	5,335,280	10,754,926	279,533,045
Accumulated depreciation at 30 June 2018	-	-	-	(20,673,938)	(20,673,938)	(20,673,938)	(1,495,446)	(6,383,428)	(28,552,812)
Carrying amount at 30 June 2018	139,365,011	5,285,899	144,650,910	98,117,991	98,117,991	242,768,901	3,839,834	4,371,498	250,980,233
Additions	-	-	-	9,277,784	9,277,784	9,277,784	195,850	203,726	9,677,360
(Disposals)	(1,709,000)	-	(1,709,000)	(1,357,883)	(1,357,883)	(3,066,883)	-	(40,730)	(3,107,613)
Depreciation (expense)	-	-	-	(1,522,942)	(1,522,942)	(1,522,942)	(158,007)	(578,650)	(2,259,599)
Transfers to Assets classified as held for sale	(1,934,000)	-	(1,934,000)	(571,217)	(571,217)	(2,505,217)	-	-	(2,505,217)
Carrying amount at 30 June 2019	135,722,011	5,285,899	141,007,910	103,943,733	103,943,733	244,951,643	3,877,677	3,955,844	252,785,164
Comprises:									
Gross carrying amount at 30 June 2019	135,722,011	5,285,899	141,007,910	125,492,999	125,492,999	266,500,909	5,531,130	10,804,785	282,836,824
Accumulated depreciation at 30 June 2019	-	-	-	(21,549,266)	(21,549,266)	(21,549,266)	(1,653,453)	(6,848,941)	(30,051,660)
Carrying amount at 30 June 2019	135,722,011	5,285,899	141,007,910	103,943,733	103,943,733	244,951,643	3,877,677	3,955,844	252,785,164

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CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	Level 2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	Price per hectare.
	Level 3	Market approach using estimated data for similar properties	Management valuation	June 2017	Estimated price per hectare.
Land - vested in and under the control of Council	Level 3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life (Level 3) inputs.
Buildings	Level 2/3	Market approach using recent observable data for similar properties or cost approach using depreciated replacement cost.	Independent registered valuers/ Management valuation	June 2017	Average cost of construction by component (Level 2), current condition, residual values and remaining useful life assessment (Level 3) inputs.
Furniture and Fittings	Level 2/3	Cost approach using depreciated replacement cost	Independent registered valuers/ Management valuation	June 2016	Purchase costs (Level 2), current condition, residual values and remaining useful life assessment (Level 3) inputs.
Plant and equipment	Level 3	Cost approach using depreciated replacement cost	Independent registered valuers/ Management valuation	June 2016	Purchase costs (Level 2), current condition, residual values and remaining useful life assessment (Level 3) inputs.

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

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

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CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

10 INFRASTRUCTURE

(a) 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.

	Infrastructure - Roads	Infrastructure - Paths	Infrastructure - Drainage	Infrastructure - Parks	Infrastructure - Other	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	128,467,542	46,489,812	44,814,676	10,932,273	423,545	231,127,848
Additions	1,608,550	799,276	83,382	1,060,998	891,944	4,444,150
Revaluation increments / (decrements) transferred to revaluation surplus	(49,230,244)	(15,505,364)	(11,864,261)	472,474	6,054,324	(70,073,071)
Depreciation (expense)	(2,300,152)	(934,495)	(525,193)	(569,541)	(16,281)	(4,345,662)
Carrying amount at 30 June 2018	78,545,696	30,849,229	32,508,604	11,896,204	7,353,532	161,153,265
Comprises:						
Gross carrying amount at 30 June 2018	116,495,651	46,447,154	51,322,724	21,024,016	13,435,384	248,724,929
Accumulated depreciation at 30 June 2018	(37,949,955)	(15,597,925)	(18,814,120)	(9,127,812)	(6,081,852)	(87,571,664)
Carrying amount at 30 June 2018	78,545,696	30,849,229	32,508,604	11,896,204	7,353,532	161,153,265
Additions	1,369,825	429,933	229,449	661,304	149,635	2,840,146
(Disposals)	-	-	-	-	(126,631)	(126,631)
Depreciation (expense)	(1,998,883)	(882,373)	(559,031)	(1,181,089)	(273,633)	(4,895,009)
Transfers to Assets classified as held for sale	-	-	-	-	(19,965)	(19,965)
Carrying amount at 30 June 2019	77,916,638	30,396,789	32,179,022	11,376,419	7,082,938	158,951,806
Comprises:						
Gross carrying amount at 30 June 2019	117,865,476	46,877,087	51,552,173	21,685,320	13,266,051	251,246,107
Accumulated depreciation at 30 June 2019	(39,948,838)	(16,480,298)	(19,373,151)	(10,308,901)	(6,183,113)	(92,294,301)
Carrying amount at 30 June 2019	77,916,638	30,396,789	32,179,022	11,376,419	7,082,938	158,951,806

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CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

10 INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	Level 3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	The unit rates (Level 2), asset condition, residual values, pattern of consumption and remaining useful life assessments (Level 3) inputs.
Infrastructure - Paths	Level 3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	The unit rates (Level 2), asset condition, residual values, pattern of consumption and remaining useful life assessments (Level 3) inputs.
Infrastructure - Drainage	Level 3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	The unit rates (Level 2), asset condition, residual values, pattern of consumption and remaining useful life assessments (Level 3) inputs.
Infrastructure - Parks	Level 3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	The unit rates (Level 2), asset condition, residual values, pattern of consumption and remaining useful life assessments (Level 3) inputs.
Infrastructure - Other	Level 3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	The unit rates (Level 2), asset condition, residual values, pattern of consumption and remaining useful life assessments (Level 3) inputs.

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

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

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CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

11 PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are subsequently revalued in accordance with the mandatory measurement framework.

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of fixed assets is determined at least every three years and no more than five years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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 class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

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 City.

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

11 PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	2019	2019	2019	2019	2019	2019	2019	2018	2018	2018	2018	
	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land												
Project-10458 Disposal of 7 Quarry Street Fremantle	-	-	-	-	3,245,000	2,750,000	-	(495,000)	-	-	-	-
Project 11051 - Disposal of 12 Holdsworth Street	-	-	-	-	1,934,000	1,300,000	-	(634,000)	-	-	-	-
Project 11052 9-15 Quarry Street, Fremantle	-	-	-	-	6,076,000	2,250,000	-	(3,826,000)	-	-	-	-
Project 11795 Disposal of Victoria Hall	-	-	-	-	1,943,000	1,000,000	-	(943,000)	-	-	-	-
Project-11803 Disposal of Knutsford Street Depot site	-	-	-	-	8,207,000	5,000,000	-	(3,207,000)	-	-	-	-
Project-11049 Disposal of Jones Street O'Connor	-	-	-	-	6,400,000	6,200,000	-	(200,000)	-	-	-	-
Project 11817 Disposal Tapper St Mews	1,709,000	241,371	-	(1,467,629)	-	-	-	-	-	-	-	-
	1,709,000	241,371	-	(1,467,629)	27,805,000	18,500,000	-	(9,305,000)	-	-	-	-
Investment Land												
Project-10467 Disposal of Car Park 13 The Malls	6,233,000	6,283,683	50,683	-	6,233,000	6,650,000	417,000	-	-	-	-	-
Project-11633 Dispose of 12 Josephson Street	-	-	-	-	1,428,000	1,301,850	-	(126,150)	-	-	-	-
	6,233,000	6,283,683	50,683	-	7,661,000	7,951,850	417,000	(126,150)	-	-	-	-
Buildings												
Project 11052 9-15 Quarry Street, Fremantle	-	-	-	-	880,000	-	-	(880,000)	-	-	-	-
Project-10467 Disposal of Car Park 13 The Malls	236,100	238,273	2,173	-	-	-	-	-	-	-	-	-
Project-11803 Disposal of Knutsford Street Depot site	-	-	-	-	1,652,000	-	-	(1,652,000)	-	-	-	-
Project-11049 Disposal of 2 Jones Street O'Connor	-	-	-	-	1,358,000	1,600,000	242,000	-	-	-	-	-
Project 11817 Disposal Tapper St Mews	1,121,783	158,629	-	(963,154)	-	-	-	-	-	-	-	-
Project 11795 Disposal of Victoria Hall	-	-	-	-	1,950,000	1,000,000	-	(950,000)	-	-	-	-
	1,357,883	396,902	2,173	(963,154)	5,840,000	2,600,000	242,000	(3,482,000)	-	-	-	-
Plant and equipment												
Disposal - various fleet vehicles	40,730	39,969	8,361	(9,122)	185,000	150,000	-	(35,000)	100,496	74,981	21,322	(46,837)
	40,730	39,969	8,361	(9,122)	185,000	150,000	-	(35,000)	100,496	74,981	21,322	(46,837)
Infrastructure - Other												
Project-10467 Disposal of Car Park 13 The Malls	126,631	128,044	1,413	-	-	-	-	-	-	-	-	-
	126,631	128,044	1,413	-	-	-	-	-	-	-	-	-
	9,467,244	7,089,969	62,630	(2,439,905)	41,491,000	29,201,850	659,000	(12,948,150)	100,496	74,981	21,322	(46,837)

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CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

11 PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of Assets (Continued)

The following assets were disposed of during the year.

	2019	2019	2019	2019
	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss
	\$	\$	\$	\$
Transport				
Project-10467 Disposal of Car Park 13 The Malls	6,595,731	6,650,000	54,269	-
Other property and services				
Project-11801 Disposal of various fleet vehicles	40,730	39,969	8,361	(9,122)
Project 11817 Disposal Tapper St Mews	2,830,783	400,000	-	(2,430,783)
	9,467,244	7,089,969	62,630	(2,439,905)

(b) Fully Depreciated Assets in Use

The gross carrying value of assets held by the City which are currently in use yet fully depreciated are shown below.

	2019	2018
	\$	\$
Buildings	43,426	43,426
Furniture and Fittings	523,113	350,328
Plant and equipment	3,471,663	41,982
Infrastructure - Parks	8,490	-
	4,046,692	435,736

(b) Temporarily Idle Assets

The City did not have any idle assets at 30 June 2019.

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CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

11 PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(c) Depreciation	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
Buildings	1,522,942	1,589,500	1,527,494
Furniture and Fittings	158,007	168,743	156,323
Plant and equipment	578,650	578,858	647,289
Infrastructure - Roads	1,998,883	1,895,623	2,300,152
Infrastructure - Paths	882,373	836,778	934,495
Infrastructure - Drainage	559,031	530,174	525,193
Infrastructure - Parks	1,181,089	1,121,279	569,541
Infrastructure - Other	273,633	262,960	16,281
	7,154,608	6,983,915	6,676,768

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested 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.

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.

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life	Depreciation Rate	Asset Class	Useful life	Depreciation Rate
Property, Plant & Equipment			Infrastructure		
Community Buildings	7.5 - 177	0.70% - 9.52%	Paths	11 - 61	1.66% - 10.00%
Plant & Equipment	5 - 31	3.18% - 20.00%	Drainage	81 - 100	1.00% - 1.25%
Furniture & Fittings	5 - 150	0.67% - 20.00%	Roads	25 - 91	1.11% - 10.00%
			Parks	10 - 50	2.00% - 10.00%
Investment Property			Other	21 - 83	1.21% - 4.97%
Buildings	100	0.91% - 1.54%			

Depreciation (Continued)

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) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- (b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019
12 REVALUATION SURPLUS

	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	142,772,958	-	-	-	142,772,958	142,772,958	-	-	-	142,772,958
Revaluation surplus - Land - vested in and under the control of Council	5,285,777	-	-	-	5,285,777	5,285,777	-	-	-	5,285,777
Revaluation surplus - Buildings	56,919,788	-	-	-	56,919,788	56,919,788	-	-	-	56,919,788
Revaluation surplus - Furniture and Fittings	1,570,770	-	-	-	1,570,770	1,570,770	-	-	-	1,570,770
Revaluation surplus - Plant and equipment	241,025	-	-	-	241,025	241,025	-	-	-	241,025
Revaluation surplus - Infrastructure - Roads	49,110,387	-	-	-	49,110,387	98,340,631	-	(49,230,244)	(49,230,244)	49,110,387
Revaluation surplus - Infrastructure - Paths	10,533,150	-	-	-	10,533,150	26,038,514	-	(15,505,364)	(15,505,364)	10,533,150
Revaluation surplus - Infrastructure - Drainage	24,401,607	-	-	-	24,401,607	36,265,868	-	(11,864,261)	(11,864,261)	24,401,607
Revaluation surplus - Infrastructure - Parks	826,395	-	-	-	826,395	353,921	472,474	-	472,474	826,395
Revaluation surplus - Infrastructure - Other	6,311,658	-	-	-	6,311,658	257,334	6,054,324	-	6,054,324	6,311,658
	297,973,515	-	-	-	297,973,515	368,046,586	6,526,798	(76,599,869)	(70,073,071)	297,973,515

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

13 INVESTMENT PROPERTIES

Non-current assets - at fair value

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Carrying balance at 1 July	39,195,014	39,195,014	38,903,883
Capitalised subsequent expenditure	22,068	531,500	291,131
Classified as held for sale or disposal	(1,428,000)	-	-
Disposals	(6,233,000)	(7,661,000)	-
Closing balance at 30 June	31,556,082	32,065,514	39,195,014

Amounts recognised in profit or loss for investment properties

	2019 Actual	2019 Budget	2018 Actual
Rental income	976,097	1,008,977	999,825
Reimbursement Income	17,015	16,767	16,433
Direct operating expenses from property that generated rental income	(17,120)	(16,767)	(16,261)

Leasing arrangements

Investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:			
Within one year	1,002,868	1,025,744	1,061,572
Later than one year but not later than 5 years	3,069,327	-	3,284,703
Later than 5 years	792,925	-	1,174,075
	4,865,120	1,025,744	5,520,350

SIGNIFICANT ACCOUNTING POLICIES

Investment properties

Investment properties are principally freehold buildings, held for long-term rental yields and not occupied by the City. They are carried at fair value. Changes in the fair values are presented in profit or loss as a part of other revenue.

Fair value of investment properties

A management valuation was performed to determine the fair value of investment properties. The main Level 3 inputs used in the valuation were discount rates, terminal yields, expected vacancy rates and rental growth rates estimated by management based on comparable transactions and industry data.

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

15 INFORMATION ON BORROWINGS (Continued)

(b) Repayments - Borrowings

Particulars	Loan Number	Interest Rate	30 June 2018				Budget Principal 1 July 2018	Budget New Loans	30 June 2019				Actual Principal 1 July 2017	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding
			Actual Principal 1 July 2018	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding			Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding					
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governance																
Civic & Library Building	307		-	-	-	-	20,000,000	-	-	-	20,000,000	-	-	-	-	-
Recreation and culture																
Heritage Restoration Projects	269	6.18	97,841	(77,669)	(3,713)	20,172	97,842	-	(77,669)	(3,712)	20,173	170,890	(73,049)	(8,861)	97,841	
Leighton Beach Kiosk & Changeroom	298	3.00	1,079,784	(133,481)	(41,268)	946,303	1,079,784	-	(133,480)	(41,268)	946,304	1,208,770	(128,986)	(46,726)	1,079,784	
Leighton Beach Kiosk	301	3.15	308,838	(33,319)	(11,093)	275,519	308,838	-	(33,319)	(11,092)	275,519	341,127	(32,289)	(12,361)	308,838	
Fremantle Boys School	303	2.86	638,631	(63,143)	(21,880)	575,488	638,631	-	(63,143)	(21,894)	575,488	700,000	(61,369)	(24,556)	638,631	
Fremantle Town Hall	306	1.98	-	-	-	-	-	-	-	-	-	300,000	(300,000)	(7,729)	-	
Transport																
Streetscape Programme	223	7.23	60,198	(47,722)	(2,400)	12,476	60,197	-	(47,722)	(2,400)	12,475	104,620	(44,422)	(6,039)	60,198	
Streets Ahead (1)	225	7.06	193,400	(82,209)	(10,916)	111,191	193,400	-	(82,209)	(10,916)	111,191	270,052	(76,652)	(17,052)	193,400	
Streets Ahead Programme (2)	232	6.66	263,511	(75,143)	(15,751)	188,368	263,511	-	(75,143)	(15,751)	188,368	333,851	(70,340)	(21,075)	263,511	
Streets Ahead Programme (3)	236	6.67	267,081	(56,272)	(16,859)	210,809	267,080	-	(56,272)	(16,859)	210,808	319,756	(52,675)	(20,846)	267,081	
Footpath Replacements	258	6.63	-	-	-	-	-	-	-	-	-	6,830	(6,830)	-	-	
Footpath Replacements	255	7.53	10,571	(10,571)	-	-	10,571	-	(10,571)	-	-	50,339	(40,369)	(2,204)	10,571	
Road Asset Program	271	5.93	279,214	(119,543)	(13,956)	159,671	279,214	-	(119,543)	(13,955)	159,671	391,923	(112,709)	(21,594)	279,214	
Footpath Asset Program	272	5.93	153,568	(65,748)	(7,676)	87,820	153,568	-	(65,748)	(7,676)	87,820	215,558	(61,990)	(11,877)	153,568	
Road Asset Program	277	5.56	387,341	(111,868)	(20,144)	275,473	387,341	-	(111,868)	(20,143)	275,473	493,199	(105,858)	(26,896)	387,341	
Footpath Asset Program	278	5.56	190,006	(54,876)	(9,881)	135,130	190,006	-	(54,876)	(9,881)	135,130	241,934	(51,928)	(13,194)	190,006	
Road Rehabilitation & Improvement Program	280	3.93	283,992	(62,637)	(11,428)	221,345	283,993	-	(62,637)	(11,428)	221,346	344,217	(60,235)	(14,226)	283,992	
Footpath Replacement Program	281	3.93	165,448	(36,492)	(6,558)	128,956	165,448	-	(36,492)	(6,558)	128,956	200,541	(35,093)	(8,288)	165,448	
Road Asset Program	284	4.01	373,619	(65,265)	(15,709)	308,354	373,619	-	(65,265)	(15,709)	308,354	436,331	(62,712)	(18,675)	373,619	
Road Asset Program	289	3.99	1,163,745	(170,228)	(50,453)	1,013,517	1,163,745	-	(170,228)	(50,454)	1,013,517	1,347,347	(163,802)	(58,154)	1,163,745	
Footpath Asset Program	290	3.99	238,767	(34,336)	(10,177)	204,431	238,767	-	(34,336)	(10,176)	204,431	271,766	(32,999)	(11,730)	238,767	
Drainage Asset Program	291	3.99	201,774	(29,016)	(8,600)	172,758	201,775	-	(29,016)	(8,600)	172,759	229,661	(27,887)	(9,913)	201,774	
Road Asset Program	295	3.00	683,407	(84,481)	(26,119)	598,926	683,408	-	(84,481)	(26,119)	598,927	765,044	(81,637)	(29,573)	683,407	
Footpath Asset Program	296	3.00	195,933	(24,221)	(7,488)	171,712	195,933	-	(24,221)	(7,489)	171,712	219,338	(23,405)	(8,479)	195,933	
Drainage Asset Program	297	3.00	227,803	(26,160)	(8,706)	199,643	227,802	-	(26,161)	(8,705)	199,641	255,015	(27,212)	(9,858)	227,803	
Road Asset Program	300	3.15	716,945	(77,346)	(25,751)	639,599	716,944	-	(77,346)	(25,750)	639,598	791,902	(74,957)	(28,695)	716,945	
Acquisition 73 Hampton Road	294B	4.03	225,493	(32,392)	(9,714)	193,101	225,493	-	(32,392)	(9,714)	193,101	256,612	(31,119)	(11,224)	225,493	
Light Vehicles	304	1.98	-	-	-	-	-	-	-	-	-	64,500	(64,500)	(1,357)	-	
Heavy Vehicles	305	2.86	456,165	(45,102)	(15,629)	411,063	456,165	-	(45,102)	(15,639)	411,063	500,000	(43,835)	(17,322)	456,165	
Economic services																
Fremantle Markets Upgrade	279	5.56	193,670	(55,934)	(10,072)	137,736	193,670	-	(55,934)	(10,072)	137,736	246,589	(52,929)	(13,448)	193,670	
Fremantle Markets Upgrade	283	3.93	189,322	(41,758)	(7,619)	147,564	189,322	-	(41,758)	(7,619)	147,564	229,478	(40,156)	(9,484)	189,322	
Other property and services																
Works Depot Property	299	3.00	-	-	-	-	-	-	-	-	-	8,000,000	(8,000,000)	(285,389)	-	
Share of SMRC Loans			2,205,158	(1,718,932)	(389,660)	7,647,128	9,266,057	20,000,000	(1,718,932)	(389,677)	27,647,125	19,307,800	(10,041,743)	(756,905)	9,266,057	
			11,471,215		1,796,405	9,343,530										

All loan borrowings were borrowed from WA Treasury Corporation (WATC). All loan repayments were financed by general purpose revenue.
*South Metropolitan Regional Council (SMRC) charge in fair value (i.e. \$408,753) of these loans were recognised as part of the share of profit and loss of associates accounted for using the equity method.

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

15 INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2018/19

There was no new borrowings in 2018-19 financial year.

(d) Unspent Borrowings

There was no unspent borrowings in 2018-19 financial year.

	2019	2018
	\$	\$
(e) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	-	-
Bank overdraft at balance date	-	-
Credit card limit	450,000	450,000
Credit card balance at balance date	(77,179)	(53,345)
Total amount of credit unused	372,821	396,655
Loan facilities		
Loan facilities - current	2,079,262	2,184,197
Loan facilities - non-current	7,264,268	9,287,018
Total facilities in use at balance date	9,343,530	11,471,215
Unused loan facilities at balance date	nil	nil

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are recognised at fair value when the City becomes a party to the contractual provisions to the instrument.

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

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.

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.

Risk

Information regarding exposure to risk can be found at Note 28

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

16 EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2018			
Current provisions	2,813,397	2,694,426	5,507,823
Non-current provisions	-	997,531	997,531
	2,813,397	3,691,957	6,505,354
Amounts used	(2,821,356)	(641,784)	(3,463,140)
Additional provision	3,115,152	631,876	3,747,028
Balance at 30 June 2019	3,107,193	3,682,049	6,789,242
Comprises			
Current	3,107,193	2,687,771	5,794,964
Non-current	-	994,278	994,278
	3,107,193	3,682,049	6,789,242
Amounts are expected to be settled on the following basis:	2019	2018	
	\$	\$	
Less than 12 months after the reporting date	3,445,934	3,157,959	
More than 12 months from reporting date	3,447,787	3,412,369	
Expected reimbursements from other WA local governments	(104,479)	(64,974)	
	6,789,242	6,505,354	

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

The City's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

The City's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at

Other long-term employee benefits (Continued) rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

Provisions

Provisions are recognised when the City 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 2019

17 NOTES TO THE STATEMENT OF CASH FLOWS

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:

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	16,146,977	41,464,525	7,710,744
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(2,800,465)	(12,029,486)	1,796,657
Non-cash flows in Net result:			
Fair value adjustments to financial assets at fair value through profit or loss	(175,171)	-	-
Adjustments to fair value of assets held for sale	1,566,457	-	-
Depreciation	7,154,608	6,983,915	6,676,768
(Profit)/loss on sale of asset	2,377,275	12,289,150	25,515
Share of profits of joint ventures	306,893	-	(293,781)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(87,782)	105,660	(636,313)
(Increase)/decrease in other assets	608,893	-	-
(Increase)/decrease in inventories	78,697	20,000	(27,298)
Increase/(decrease) in payables	354,357	(500,270)	(703,506)
Increase/(decrease) in provisions	283,888	500,000	285,003
Grants contributions for the development of assets	(2,659,194)	(3,234,502)	(3,096,806)
Net cash from operating activities	7,008,456	4,134,467	4,026,239

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

18 TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	72,931,673	71,122,712
General purpose funding	45,931,488	41,947,896
Law, order, public safety	1,655,264	1,521,197
Health	1,086,501	13,868
Education and welfare	16,441,984	6,302,970
Community amenities	4,754,533	3,204,201
Recreation and culture	117,308,278	115,648,799
Transport	160,122,904	162,174,801
Other property and services	76,209,191	98,795,277
	496,441,816	500,731,721

19 CONTINGENT LIABILITIES

The City did not have any contingent liabilities as at 30 June 2019.

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

20 CAPITAL AND LEASING COMMITMENTS

	2019	2018
	\$	\$
(a) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	43,787,069	5,578,055
	<u>43,787,069</u>	<u>5,578,055</u>
Payable:		
- not later than one year	39,338,029	4,768,955
- later than one year but not later than five years	4,449,050	809,100
	<u>43,787,079</u>	<u>5,578,055</u>

The capital expenditure projects outstanding at the end of the current reporting period mainly represents:

- (i) Construction costs for new Sporting Facility and Community Hub at Fremantle Park
- (ii) Construction costs of new Civic and Library building in Kings Square
- (iii) Construction costs for interior architect of new Civic and Library building in Kings Square
- (iv) Construction costs for project management of new Civic and Library building in Kings Square
- (v) Construction costs for design of new Civic and Library building in Kings Square
- (vi) Construction costs for quantity surveying services new Civic and Library building in Kings Square

(b) Operating Lease Commitments

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

	2019	2018
	\$	\$
Payable:		
- not later than one year	569,344	537,618
- later than one year but not later than five years	509,550	669,218
	<u>1,078,894</u>	<u>1,206,836</u>

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

Finance leases are capitalised recording an asset and a liability at the lower of 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.

Leases (Continued)

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 on a straight line basis over the lease term.

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

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

21 RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Local Government Allowance Exp - Mayor	88,864	88,864	88,864
Local Government Allowance Exp - Deputy Mayor	22,216	22,216	22,216
Meeting Allowance Exp - Mayor	47,046	47,046	47,046
Meeting Allowance Exp - Deputy Mayor	31,364	31,364	29,765
Meeting Allowance Exp - Committee Chairperson	-	94,092	88,099
Meeting Allowance Exp - Elected Member	345,004	250,912	228,337
Other Allowance Exp - Mayor	3,500	3,500	3,500
Other Allowance Exp - Deputy Mayor	3,500	3,500	3,500
Other Allowance Exp - Elected Members	38,500	38,500	36,813
Other Allowance Exp - Mayor Vehicle	6,895	6,500	6,074
	586,889	586,494	554,214

Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration paid to KMP of the City during the year are as follows:

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	1,283,991	1,275,851
Post-employment benefits	118,120	101,890
Other long-term benefits	39,561	19,915
	1,441,672	1,397,656

All members of KMP are provided with free parking within the City when attending on council business.
All members of KMP are provided with free access to the City's Leisure Centre.

Short-term employee benefits

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

Post-employment benefits

These amounts are the current-year's estimated cost of providing for the City's superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

21 RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

Transactions between related parties and the City are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

The following transactions occurred with related parties:	2019 Actual	2018 Actual
	\$	\$
Purchase of goods and services	94,200	3,500

Related Parties

The City's main related parties are as follows:

i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

ii. Other Related Parties

The associate person of KMP was employed by the City under normal employment terms and conditions.

iii. Entities subject to significant influence by the City

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

iii. Joint venture entities accounted for under the equity method

The City is a participant in the Canning Vale Regional Resource Recovery Centre (RRRC). The interest in the joint venture entity is accounted for in these financial statements using the equity method of accounting. For details of interests held in joint venture entities, refer to Note 22.

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

22 JOINT ARRANGEMENTS

The SMRC is a statutory local government authority established in 1991 by the local governments of Canning, Cockburn, East Fremantle, Fremantle, Kwinana, Melville, and Rockingham.

The SMRC is responsible for developing environmentally sustainable waste management solutions for the communities of the Participants.

The member local governments have jointly agreed to establish SMRC under an Establishment Agreement and each participant may participate in regional projects that are governed by a Participants' Project Agreement.

There are two core projects, being:

1. The Regional Resource Recovery Centre (RRRC) Project and;
2. The Office Accommodation Project.

Both the projects were established through separate project participants' agreements. The City of Kwinana are not participants in the RRRC project. In addition to the above two projects, the support activities of SMRC such as Administrative activities, Education and Marketing and Research and Development, are referred to as Existing Undertakings.

Over the period the following local governments have since withdrawn from the Regional Council: City of Canning in June 2010, City of Rockingham in June 2012 and City of Cockburn in June 2019.

(a) Existing Undertakings

The historical annual contributions made by Participants to the Existing Undertakings are used to determine the proportional contribution percentage of each Participant to the Existing Undertakings. The City's share as on 30 June 2019:

SMRC Existing Undertakings Proportional Equity Share:	11.19%
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(b) Regional Resource Recovery Centre (RRRC) Project

RRRC Project Participants shall make an annual contribution 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 to cover the operating costs.

The annual contribution shall be an amount which bears the same proportion to the cost of the acquisition disclosed in the Project Budget for the financial year as the Population of the Project Participant bears to the total of the Populations of all Project Participants.

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's share as on 30 June 2019:

RRRC Project Proportional Equity Share:	20.60%
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RRRC - Lending Facility

The capital construction of the RRRC facility was funded by borrowings from Western Australian Treasury Corporation (WATC). A \$40 million lending facility was initially set up for this purpose (repayable over a term of 20 years) and this facility has since been extended to a total of \$55 million. The SMRC administer the borrowings with the project participants making quarterly contributions equal to the repayment costs of these borrowings.

The City guaranteed by way of agreement to its share of the loan liability to the SMRC and the WATC. The City's estimated share of the project funding is based on population percentages as derived from the Australian Bureau of Statistics census. These are revised yearly over the life of the lending facility with the City's share for the 2018/19 year being: **12.28%**

As at 30 June 2019, the balance outstanding against the lending facility stood at: \$13,086,683	
with the City's share of this liability being:	\$ 1,607,045

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

22 JOINT ARRANGEMENTS (Continued)

(c) Office Accommodation Project

The Office Project pertains to SMRC's office located at 9 Aldous Place, Booragoon, Western Australia.

The City's equity share of the project is based on their proportional populations.

The City's share as on 30 June 2019:

Office Accommodation Project Proportional Equity Share: **10.98%**

SMRC Administration Building - Lending Facility

As a SMRC participant, City has guaranteed by way of security to the Western Australian Treasury Corporation, a charge over its' general funds for its' share of any outstanding debenture borrowings provided for the SMRC administration building at 9 Aldous Place Booragoon. This facility has a limit of \$2 million.

As at 30 June 2019, the balance outstanding against the lending facility stood at: \$1,800,000

with the City's share of this liability being: **\$ 189,360**

using the current cost/profit sharing percentage of: **10.52%**

	2019 \$	2018 \$
(a) Carrying amount of investment in associate		
The City's share in the net assets of the SMRC (excluding equity)	3,658,403	4,374,049
Equity Ratio	11.19%	12.25%
Represented by Share of Joint Venture entity's Financial Position:		
Current assets	3,539,271	3,250,073
Non Current assets	3,864,226	6,625,128
Total assets	7,403,497	9,875,201
Current Liabilities	1,589,515	1,973,724
Non Current Liabilities	2,155,579	3,527,428
Total Liabilities	3,745,094	5,501,152
Net assets	3,658,403	4,374,049
Net Increase / (Decrease) in Share of Joint Venture's Equity - SMRC	(715,646)	293,781
Carrying amount at 1 July	4,374,049	4,080,268
- Share of associates total comprehensive income arising during the period	(715,646)	293,781
Carrying amount at 30 June	3,658,403	4,374,049
Share of profit or loss of associates:		
Share in Net Assets	(715,646)	
Share in SMRC Loans (Note 15(b))	408,753	
	(306,893)	

SIGNIFICANT ACCOUNTING POLICIES

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 arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. The equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the City's

Interests in joint arrangements (Continued)

share of net assets of the associate. In addition, the City's share of the profit or loss of the associate is included in the City's profit or loss.

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

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

23 MAJOR LAND TRANSACTIONS

(a) Details

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).

Stage 1 involves the redevelopment of the City's Civic and Library Building, with provision initially been made in the 2017-18 budget for those works to commence. Construction commenced in 2018-19 and will continue into 2019-20.

Stage 2 provided for the sale of the Spicer Site to Sirona which settled in the 2018-19 financial year with the receipt of sale proceeds of \$6,650,000. The total Kings Square Redevelopment is a two to four year project.

(b) Current year transactions

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Capital income			
- Sale proceeds			
12 Josephson Street, Fremantle	-	1,301,850	-
12 Holdsworth Street, Fremantle	-	1,300,000	-
7 Quarry Street, Fremantle	-	2,750,000	-
8 Henderson Street, Fremantle (Spicers Site)	6,650,000	6,650,000	-
2 Jones Street O'Connor	-	7,800,000	-
Victoria Hall	-	2,000,000	-
9 Quarry Street Fremantle	-	2,250,000	-
81 Knutsford Street Fremantle (Depot)	-	5,000,000	-
	6,650,000	29,051,850	-
Capital expenditure			
Transfer to Reserve - Sale Proceeds	(6,650,000)	(29,051,850)	-
	(6,650,000)	(29,051,850)	-

(c) Expected future cash flows

	2019/20	2020/21	2021/22	2022/23	Total
	\$	\$	\$	\$	\$
Cash outflows					
Transfer to Reserve - Sale Proceeds	(7,284,188)	-	-	-	(7,284,188)
Civic and Library Building construction	(20,000,000)	-	-	-	(20,000,000)
	(27,284,188)	-	-	-	(27,284,188)
Cash inflows					
- Loan proceeds	20,000,000	-	-	-	20,000,000
- Sale proceeds					
7 Quarry Street Fremantle	2,750,000	-	-	-	2,750,000
12 Josephson Street	1,150,000	-	-	-	1,150,000
9 Quarry Street Fremantle	2,250,000	-	-	-	2,250,000
12 Holdsworth Street	1,134,188	-	-	-	1,134,188
	27,284,188	-	-	-	27,284,188
Net cash flows	-	-	-	-	-

(d) Assets and liabilities

	2019	2018
	\$	\$
Non-current assets held for sale		
12 Josephson Street	1,301,850	-
12 Holdsworth Street	1,084,875	-
	2,386,725	-

24 TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The City did not participate in any trading undertakings or major trading undertakings during the 2018/2019.

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

25 CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening		Expended ⁽³⁾	Closing		Closing Balance	
	Balance ⁽¹⁾	Received ⁽²⁾		Balance ⁽¹⁾	Received ⁽²⁾		
	1/07/17	2017/18	2017/18	30/06/18	2018/19	2018/19	
	\$	\$	\$	\$	\$	\$	
Operating Grant/Contribution							
City Business Directorate							
100723 - MOU Notre Dame	-	75,000	(41,360)	33,640	75,000	(12,010)	96,630
Community Development Directorate							
Emergency relief	12,000	-	(12,000)	-	-	-	-
Provide traineeship opportunities	33,146	1,500	(34,646)	-	-	-	-
High Tide	95,546	-	(95,546)	-	-	-	-
Undertake aboriginal youth project - ARISE	34,246	39,500	(36,462)	37,284	-	(37,284)	-
Project-11727 FAC Revealed 2018	-	262,155	(207,271)	54,884	-	(54,884)	-
Conduct Neighbourhood day event	4,205	-	(4,205)	-	-	-	-
Project 11811- Provide Cruise Destination Welcome Initiative	-	23,000	-	23,000	-	(23,000)	-
Project-10848 Deliver In Cahoots art exhibition and new residency	-	146,570	(1,310)	145,260	-	(6,386)	138,874
Conduct seniors programs and activities	-	10,000	-	10,000	950	(10,950)	-
P-11728 Program-FAC Revealed 2019	-	-	-	-	253,000	(223,384)	29,616
Infrastructure and Projects Directorate							
North Fremantle Foreshore Vegetation Assessment and Management Plan	11,686	-	(11,686)	-	-	-	-
Prepare Coastal Hazard Risk Management Plan	10,000	5,000	(15,000)	-	-	-	-
Prepare Northbank Foreshore stabilisation	19,018	-	(13,651)	5,367	-	(5,367)	-
P-11802 Program-Container deposit scheme	-	-	-	-	10,500	-	10,500
P-11708 Program-Coastal monitoring	-	-	-	-	39,140	(21,101)	18,039
	219,847	562,725	(473,137)	309,435	378,590	(394,366)	293,659
Capital Grant/Contribution							
City Business Directorate							
P-11796 Install-CCTV	-	-	-	-	742,712	(172,590)	570,122
Community Development Directorate							
P-11838 Design and construct-Kings Square change facility	-	-	-	-	150,000	-	150,000
Infrastructure and Projects Directorate							
Design intersection Adelaide and Queen Victoria	7,500	-	(6,460)	1,040	-	(1,040)	-
Road to Recovery grant	(7,152)	380,938	(282,709)	91,077	-	(91,077)	-
Project- 11649 – South Terrace road safety upgrades	-	120,000	(13,456)	106,544	80,000	(186,544)	-
Project-11664 Guarded crossing relocation Hampton Road	-	40,000	(21,916)	18,084	65,864	(83,948)	-
Project-10882 Relocation and upgrade of cricket training nets	-	20,000	(1,650)	18,350	56,850	(75,200)	-
P-10212 Install-Gil Fraser Oval shed	-	-	-	-	41,118	(24,200)	16,918
P-10350 Design and construct-Fremantle Park Sport and Community Centre	-	-	-	-	747,500	(700,526)	46,974
P-11806 Program-Solar panels	-	-	-	-	4,899	(392)	4,507
	348	560,938	(326,191)	235,095	1,888,943	(1,335,517)	788,521
Total	220,195	1,123,663	(799,328)	544,530	2,267,533	(1,729,883)	1,082,180

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 2019

26 RATING INFORMATION

(a) Rates

RATE TYPE	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2017/18
	Rate in \$	Number of Properties	Actual Rateable Value \$	Actual Rate Revenue \$	Actual Interim Rates \$	Actual Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate Revenue \$	Budget Total Revenue \$	Actual Total Revenue \$
Differential general rate / general rate										
Gross rental valuations										
Residential Improved	0.072030	9,220	259,306,070	18,677,816	144,316	18,822,132	18,677,772	200,000	18,877,772	18,146,082
Commercial & Industrial General	0.080153	1,407	151,100,862	12,111,171	83,447	12,194,618	12,111,164	-	12,111,164	11,762,177
City Centre Commercial	0.084760	379	84,749,223	7,183,343	(3,728)	7,179,615	7,183,343	-	7,183,343	7,079,297
Nightclubs	0.144059	3	2,075,831	299,042	-	299,042	299,042	-	299,042	290,614
Residential Short Term Accommodation	0.080143	169	4,479,380	358,990	87,613	446,603	358,991	-	358,991	-
Unimproved valuations										
Vacant Residential Land	0.115289	172	4,623,990	533,095	(7,208)	525,887	533,094	-	533,094	546,952
Vacant Commercial & Industrial	0.144058	52	2,469,100	355,693	(7,207)	348,486	355,693	-	355,693	381,124
Sub-Total		11,402	508,804,256	39,519,150	297,233	39,816,383	39,519,099	200,000	39,719,099	38,206,246
Minimum payment										
Gross rental valuations										
Residential Improved	1.320	4,088	64,943,404	5,396,160	-	5,396,160	5,396,160	-	5,396,160	5,271,847
Commercial & Industrial General	1.320	278	3,207,783	366,960	-	366,960	366,960	-	366,960	348,976
City Centre Commercial	1.320	57	610,830	75,240	-	75,240	75,240	-	75,240	70,565
Nightclubs	1.320	-	-	-	-	-	-	-	-	-
Residential Short Term Accommodation	1.320	15	225,680	19,800	-	19,800	19,800	-	19,800	-
Unimproved valuations										
Vacant Residential Land	1.279	158	1,312,083	202,082	-	202,082	202,082	-	202,082	243,180
Vacant Commercial & Industrial	1.320	9	49,830	11,880	-	11,880	11,880	-	11,880	11,547
Sub-Total		4,605	70,349,610	6,072,122	-	6,072,122	6,072,122	-	6,072,122	5,946,115
Totals		16,007	579,153,866	45,591,272	297,233	45,888,505	45,591,221	200,000	45,791,221	44,152,361
Discounts/concessions (refer Note 26 (d))						(238,514)			(232,986)	(220,881)
Total amount raised from general rate						45,649,991			45,558,235	43,931,480
Specified Area Rate (refer Note 26 (b))						159,116			159,113	151,820
Totals						45,809,107			45,717,348	44,083,300

SIGNIFICANT ACCOUNTING POLICIES

Rates
Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

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CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

26 RATING INFORMATION (Continued)

(b) Specified Area Rate

Specified Area Rate	Basis of Valuation	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2017/18	
		Rate in \$	Rateable Value	Rate Revenue	Interim Rate Revenue	Total Specified Area Rate Revenue	Budget Rate Revenue	Budget Interim Rate Revenue	Total Budget Revenue	Actual Revenue
CBD Security Levy	GRV	0.001051	99,405,802	104,479	-	104,479	104,476	-	104,476	104,823
Leighton Maintenance	GRV	0.004933	11,076,015	54,637	-	54,637	54,637	-	54,637	48,997
			110,481,817	159,116	-	159,116	159,113	-	159,113	151,820
Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	2018/19 Actual Rate Applied to Costs	2018/19 Actual Rate Set Aside to Reserve	2018/19 Actual Reserve Applied to Costs	2018/19 Budget Rate Applied to Costs	2018/19 Budget Rate Set Aside to Reserve	2018/19 Budget Reserve Applied to Costs	2018/19 Budget Reserve Applied to Costs	
CBD Security Levy	A safety and security strategy for a specified area of the Fremantle CBD.	Bounded by Parry Street, South Terrace, Suffolk Street, Fishing Boat Harbour (West of Mews Road) and along the coast to Balzers Beach, Fleet Street, Philimore Street and Elder Place.	104,479	104,479	104,479	104,476	104,476	104,476	104,476	
Leighton Maintenance	To fund the above normal costs associated with maintaining the higher standard of landscaping of the Leighton residential area.	All properties within the Leighton Beach area and that at this time are located on Port Beach Road, Leighton Beach Boulevard and Freeman Loop.	49,393	54,637	49,393	54,637	54,637	54,637	54,637	
			153,872	159,116	153,872	159,113	159,113	159,113	159,113	

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CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

26 RATING INFORMATION (Continued)

(c) Service Charges

Service Charges	Amount of Charge	2018/19 Actual Revenue Raised	2018/19 Actual Charges Applied to Costs	2018/19 Actual Charges Set Aside to Reserve	2018/19 Actual Reserve Applied to Costs	2018/19 Budget Revenue	2018/19 Budget Charges Applied to Costs	2018/19 Budget Charges Set Aside to Reserve	2018/19 Budget Reserve Applied to Costs	2017/18 Total Actual Revenue
Community Bore	124	7,576	-	7,576	-	11,919	11,919	-	-	-
		7,576	-	7,576	-	11,919	11,919	-	-	-

Nature of the Service Charge	Objects of the Charge	Reasons for the Charge	Area/Properties Charge Imposed
Community Bore	To apply a service charge on those dwellings making use of the bore within the WGV development.	To fund the associated costs required to maintain the community bore within the WGV development.	All dwellings within Landcorp's WGV development (former Kim Beazley School site) between Hope Street, Wongan Avenue, Watkins Street and Yalgoo Avenue in White Gum Valley.

(d) Discounts, Incentives, Concessions, & Write-offs

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	2019 Actual \$	2019 Budget \$	2018 Actual \$
Nightclubs	Concession		62,600	62,600	62,600	60,834
Sporting Clubs	Waiver		163,105	163,105	163,107	153,031
Pensioners - 253 High Street, Fremantle	Concession		384	-	384	373
Gross Lease	Concession		6,893	6,893	6,895	6,643
Various Short Term Accommodation	Concession		5,916	5,916	-	-
				238,514	232,986	220,881

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CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

26 RATING INFORMATION (Continued)

(d) Discounts, Incentives, Concessions, & Write-offs (Continued)

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
Nightclubs	GRV - Nightclubs	Annual rates are adjusted to provide a concession for areas of the property which are not used as a night club.	Due to higher rate in the dollar for Night Club GRV differential which only occupies a portion of the property.
Sporting Clubs	Sporting Clubs - Rates	Assisting sporting clubs due to the community benefits provided by the clubs.	Due to sporting clubs being rateable under the Local Government Act 1995. Rating of the sporting clubs commenced in May 2006.
Pensioners - 253 High Street, Fremantle	Eligible pensioners at 253 High Street, Fremantle	Assist occupants with eligible pension concession cards to receive calculated concession.	Annual rates effective 01/07/2001 have been recalculated and a concession applied. The concession is the net difference between the amount of the minimum payment less the amount of rates that would apply if they were calculated using the units gross rental value.
Gross Lease	Gross Up Leases	Annual rates and levies are included within the grossed up lease agreement.	Due to annual rates and levies are included within the grossed up lease agreement.
Various Short Term Accommodation	Ceased to operate for short term accommodation and notified prior to required date	Annual rates are adjusted to provide a concession for properties which are no longer used for short term accommodation.	Due to higher rate in the dollar for Short Term Accommodation GRV differential.

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CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

26 RATING INFORMATION (Continued)

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
In full by due date	27 Aug 2018	-	0.00%	11.00%
Option Two				
1 st Instalment	27 Aug 2018	-	5.50%	11.00%
2 nd Instalment	29 Oct 2018	13.20	5.50%	11.00%
3 rd Instalment	02 Jan 2019	13.20	5.50%	11.00%
4 th Instalment	05 Mar 2019	13.20	5.50%	11.00%

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Interest on unpaid rates	138,236	130,000	145,900
Interest on instalment plan	250,373	230,000	234,542
Charges on instalment plan	197,417	192,000	181,228
	586,026	552,000	561,670

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

27 RATE SETTING STATEMENT INFORMATION

Note	2018/19	2018/19	2018/19
	(30 June 2019 Carried Forward)	Budget (30 June 2019 Carried Forward)	(1 July 2018 Brought Forward)
	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
Less: Profit on asset disposals	11(a)	(62,630)	(659,000)
Less: Fair value adjustments to financial assets at fair value through profit or loss		(175,171)	-
Less: Share of net profit of joint ventures accounted for using the equity method		306,893	(293,781)
Less: Fair value adjustments to assets held for sale	13	1,566,457	-
Movement in pensioner deferred rates (non-current)		(25,633)	(42,731)
Movement in employee benefit provisions (non-current)		(3,253)	207,995
Add: Loss on disposal of assets	11(a)	2,439,905	12,948,150
Add: Amortisation		(12,965)	(12,964)
Add: Depreciation on assets	11(c)	7,154,608	6,983,915
Non cash amounts excluded from operating activities		11,188,211	19,273,065
(b) Surplus/(deficit) after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
Adjustments to net current assets			
Less: Reserves - restricted cash	3	(29,334,823)	(30,075,313)
Less: Assets classified as land held for sale		(2,386,725)	-
Add: Current portion of long term borrowings	15(a)	2,079,262	1,718,932
Total adjustments to net current assets		(29,642,286)	(28,356,381)
Net current assets used in the Rate Setting Statement			
Total current assets		48,759,311	42,460,184
Less: Total current liabilities		(14,118,275)	(14,028,803)
Less: Total adjustments to net current assets		(29,642,286)	(28,356,381)
Net current assets used in the Rate Setting Statement		4,998,750	2,649,364

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

28 FINANCIAL RISK MANAGEMENT

This note explains the City's exposure to financial risks and how these risks could affect the City's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk - interest rate	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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

Financial risk management is carried out by the finance area under policies approved by the Council. The finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

(a) Interest rate risk

Cash and cash equivalents

The City's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the City to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the City to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate %	Carrying Amounts \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
2019					
Cash and cash equivalents	1.31%	16,146,977	3,000,000	13,137,347	9,630
Financial assets at amortised cost - term deposits	2.74%	28,300,032	28,300,032	-	-
2018					
Cash and cash equivalents	1.68%	7,710,744	-	7,002,564	708,180
Financial assets at amortised cost	2.65%	34,237,152	34,237,152	-	-

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

	2019 \$	2018 \$
Impact of a 1% movement in interest rates on profit and loss and equity*	161,470	77,107

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The City manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The City does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 15 (e).

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

28 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

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

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

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

The City applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates receivable. No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	363,003	69,707	33,382	44,645	510,737
Loss allowance	-	-	-	-	-
01 July 2018					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	283,324	54,406	26,054	28,396	392,180
Loss allowance	-	-	-	-	-

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

28 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for sundry receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Expected credit loss	1.21%	1.38%	13.02%	27.91%	
Gross carrying amount	442,372	72,866	23,701	174,888	713,827
Loss allowance	5,353	1,006	3,086	48,811	58,256
Impairment	-	-	-	86,651	86,651
01 July 2018					
Sundry Receivables					
Expected credit loss	2.38%	3.09%	12.19%	34.01%	
Gross carrying amount	512,774	97,205	19,424	112,110	741,513
Impairment	-	25,140	19,424	112,110	156,674
Loss allowance	12,204	2,227	-	-	14,431

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

28 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 15(e).

The contractual undiscounted cash flows of the City's payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
2019					
Payables	6,244,049	81,350	-	6,325,399	6,325,399
Borrowings	2,377,818	5,188,855	2,653,692	10,220,365	9,343,530
	<u>8,621,867</u>	<u>5,270,205</u>	<u>2,653,692</u>	<u>16,545,764</u>	<u>15,668,929</u>
2018					
Payables	5,876,727	94,315	-	5,971,042	5,971,042
Borrowings	2,577,829	6,181,701	4,000,344	12,759,874	11,471,215
	<u>8,454,556</u>	<u>6,276,016</u>	<u>4,000,344</u>	<u>18,730,916</u>	<u>17,442,257</u>

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019
29 TRUST FUNDS

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

	1 July 2018	Transferred From Muni	Amounts Received	Amounts Paid	Transferred to Muni	30 June 2019
	\$		\$	\$		\$
Cash In Lieu of Public Open Space						
37 Strang Street subdivision	85,673	-	-	-	-	85,673
10 Jean Street subdivision	43,318	-	-	-	-	43,318
29 Annie Street	55,900	-	-	-	-	55,900
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
Knutsford/Blinco subdivision	-	-	404,075	-	-	404,075
Cash In Lieu of Parking	469,360	-	-	-	-	469,360
Bequests						
Gwenth Ewens	27,045	-	2,593	(5,093)	-	24,545
John Francis Boyd	2,700	-	-	-	-	2,700
Victor Felstead	8,030	-	-	-	-	8,030
Miscellaneous - Stale Cheques	7,198	-	31,539	-	-	38,737
Bonds and Deposits Held	1,992,734	-	606,793	(964,719)	(1,634,808)	-
Unclaimed Funds - Miscellaneous	7,310	-	-	-	-	7,310
Trust Interest	-	3,298	52,092	-	-	55,390
	2,922,537	3,298	1,097,092	(969,812)	(1,634,808)	1,418,307

30 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

There is no significant events after 30 June 2019.

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

31 INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

Whilst many reflected consequential changes associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

AASB 9 Financial instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The City applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the City has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in accumulated surplus/(deficit).

The effect of adopting AASB 9 as at 1 July 2018 was, as follows:

	<u>Adjustments</u>	<u>01 July 2018</u>
		\$
Assets		
Trade receivables	(a),(b)	-
Loans and advances	(a)	-
Available for sale financial assets	(a)	-
Total Assets		<u>-</u>
Total adjustments on Equity		
Accumulated surplus/(deficit)	(a),(b)	<u>-</u>

The nature of these adjustments are described below:

(a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the City's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the City's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact on the City. The following are the changes in the classification of the City's financial assets:

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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31 INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

- The City did not designate any financial assets as at fair value through profit and loss.

In summary, upon the adoption of AASB 9, the City had the following required (or elected) reclassifications as at 1 July 2018:

AASB 139 category	AASB 139 value	AASB 9 category amortised cost	Fair value through OCI	Fair value through P/L
	\$	\$	\$	\$
Loans and receivables				
Trade receivables*	1,332,195	1,332,195	-	-
	1,332,195	1,332,195	-	-

* The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.

(b) Impairment

The adoption of AASB 9 has fundamentally changed the City's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the City to recognise an allowance for ECLs for all financial assets not held at fair value through P/L. Upon adoption of AASB 9, the City did not recognise an additional impairment on the City's Trade receivables as at 1 July 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined, in accordance with AASB 9:

	Impairment under AASB 139 as at 30 June 2018	Remeasurement	ECL under AASB 9 as at 01 July 2018
	\$	\$	\$
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	171,105	-	171,105
	171,105	-	171,105

(c) Impact of changes to Retained Surplus

The impact on the City of the changes as at 1 July 2018 is as follows:

	Adjustments	2018
		\$
Retained surplus - 30 June 2018		148,345,595
Adjustment to retained surplus from adoption of AASB 9	-	-
Retained surplus - 1 July 2018		148,345,595

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

32 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION
IN FUTURE YEARS

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

This note explains management's assessment of the new and amended pronouncements that are relevant to the City, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. These standards are applicable to future reporting periods and have not yet been adopted.

(a) Revenue from Contracts with Customers

The City will adopt AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the City will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments are expected to be made to the amounts recognised in the balance sheet at the date of initial application (1 July 2019):

Note	AASB 118	Reclassification	AASB 15
	carrying amount		carrying amount
	30 June 2019		01 July 2019
	\$	\$	\$
Contract liabilities - current			
Unspent grants, contributions and reimbursements	-	1,082,180	1,082,180
Income received in advance - Fremantle Leisure Centre	-	160,073	160,073
Adjustment to retained surplus from adoption of AASB 15	32(d)	(1,242,253)	

(b) Leases

The City adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the City has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB 16 recognised on 1 July 2019. In applying the AASB 16 under the specific transition provisions chosen, the City will not restate comparatives for prior reporting periods.

On adoption of AASB 16, the City will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 is 2.70%, which is the 10 year government bond rate.

Note	2019
	\$
Operating lease commitments disclosed as at 30 June 2019	1,078,894
Lease liability recognised as at 1 July 2019	
Discounted using the City's incremental borrowing rate of 2.70%	32(d) 953,928
Low-value leases recognised on a straight-line basis as an expense	2,755

On adoption of AASB 16, the City will recognise a right-of-use asset in relation to a lease which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is to be measured as if AASB 16 had been applied since its commencement date by the carrying amount but discounted using the lessee's incremental borrowing rate as on 1 July 2019. Property, plant and equipment and lease liability increases by \$953,928 on 1 July 2019 and the net impact on retained earnings on July 2019 will be \$122,423.

On adoption of AASB 16 Leases (issued February 2016), for leases which had previously been classified as an 'operating lease' when applying AASB 117, the City is not required to make any adjustments on transition for leases for which the underlying asset is of low value. Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5).

In applying AASB 16 for the first time, the City will use the following practical expedient permitted by the standard.
- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

32 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION
IN FUTURE YEARS

(c) Income For Not-For-Profit Entities

The City will adopt AASB 1058 *Income for Not-for-Profit Entities* (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the City will adopt the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods shall not be restated in accordance with AASB 1058 transition requirements.

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 changes will occur to the following financial statement line items by application of AASB 1058 as compared to AASB 1004 Contributions before the change:

Note	AASB 1004	Reclassification	AASB 1058
	carrying amount		carrying amount
	30 June 2019		01 July 2019
	\$	\$	\$
Trade and other payables	6,244,049	-	6,244,049
Adjustment to retained surplus from adoption of AASB 1058	32(d)	-	

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates will be recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the City. When the taxable event occurs the financial liability will be extinguished and the City will recognise income for the prepaid rates that have not been refunded.

Assets that were acquired for consideration, that were significantly less than fair value principally to enable the City to further its objectives, may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value.

Volunteer Services will not be recognised in revenue and expenditure as the fair value of the services can not be reliably estimated.

(d) Impact of changes to Retained Surplus

The impact on the City of the changes as at 1 July 2019 is as follows:

Note	Adjustments	2019
		\$
Retained surplus - 30 June 2019		146,675,307
Adjustment to retained surplus from adoption of AASB 15	32(a) (1,242,253)	
Adjustment to retained surplus from adoption of AASB 16	32(b) 122,423	
Adjustment to retained surplus from adoption of AASB 1058	32(c) -	
		(1,119,830)
Retained surplus - 01 July 2019		145,555,477

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

33 EFFECT OF CHANGES IN ACCOUNTING POLICY / CORRECTION OF ERROR

Balances relating to the 2018 comparative period have been amended due to a change in accounting policy and correction of error. These amendments have been adjusted as shown below.

On the 26 June 2018 Paragraph 17A (5) was inserted into Local Government (Financial Management) Regulations 1996. The regulation stated an asset is to be excluded from the assets of a local government if the fair value of the asset at the date of acquisition by the local government is under \$5 000.

Australian Accounting Standard AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, requires this amendment to the asset values to be treated as a change in accounting policy. The standard requires balances to be adjusted retrospectively, unless it is impracticable to determine the period-specific or cumulative effects of the change.

The City has applied this change retrospectively, adjusting the Financial report balances as at 30 June 2018. Assets with a fair value at the date of acquisition of under \$5,000 and purchased prior to 30 June 2018 have been from the assets of the City.

The City has adopted Fair value model to account Investment Properties. A gain or loss arising from a change in the fair value of investment property shall be recognised in profit or loss for the period in which it arises. The City depreciated Investment properties in the year ended 30 June 18 in error which has been corrected in year ended 30 June 19.

Effect of the above:	30 June 2017 Original Balance	Amount of Adjustment	1 July 2017 Restated
	\$	\$	\$
2017			
<u>STATEMENT OF FINANCIAL POSITION</u>			
Non-Current Assets			
Property, plant and equipment	248,493,470	(1,037,082)	247,456,388
Infrastructure	231,128,416	(568)	231,127,848
Equity			
Retained Surplus	134,510,305	(1,037,650)	133,472,655
Financial Ratios			
Asset Consumption Ratio	0.81	0.01	0.82

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

33 EFFECT OF CHANGES IN ACCOUNTING POLICY / CORRECTION OF ERROR (Continued)

2018	30 June 2018 Original Balance	Amount of Adjustment	30th June 2018 Restated
STATEMENT OF COMPREHENSIVE INCOME			
By Nature or Type			
Expenses			
Depreciation	(6,838,996)	162,228	(6,676,768)
Material and Contracts	(26,030,860)	(32,612)	(26,063,472)
By program			
Expenses			
Governance	(11,853,786)	(8,721)	(11,862,507)
General purpose funding	(1,233,357)	-	(1,233,357)
Law, order, public safety	(3,939,060)	-	(3,939,060)
Health	(406,284)	-	(406,284)
Education and welfare	(3,352,649)	-	(3,352,649)
Housing	(82,699)	-	(82,699)
Community amenities	(11,120,293)	-	(11,120,293)
Recreation and culture	(21,248,818)	-	(21,248,818)
Transport	(14,605,550)	-	(14,605,550)
Economic services	(2,842,852)	-	(2,842,852)
Other property and services	(4,584,927)	138,337	(4,446,590)
	(75,270,275)	129,616	(75,140,659)
STATEMENT OF FINANCIAL POSITION			
Non-Current Assets			
Property, plant and equipment	252,013,941	(1,033,708)	250,980,233
Infrastructure	161,165,928	(12,663)	161,153,265
Investment Properties	39,056,677	138,337	39,195,014
Equity			
Retained Surplus	149,253,629	(908,034)	148,345,595
STATEMENT OF CASH FLOWS			
Materials and Contracts	(26,018,387)	(32,612)	(26,050,999)
Payment for purchase of property, plant & equipment	(5,972,705)	17,258	(5,955,447)
Payment for construction of infrastructure	(4,459,504)	15,354	(4,444,150)

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

33 EFFECT OF CHANGES IN ACCOUNTING POLICY / CORRECTION OF ERROR (Continued)

	30 June 2018 Original Balance	Amount of Adjustment	30th June 2018 Restated
<u>RATE SETTING STATEMENT</u>			
Expenditure from operating activities			
Employee Costs	(36,566,741)	-	(36,566,741)
Materials and Contracts	(26,030,860)	(32,612)	(26,063,472)
Depreciation on Non Current Assets	(6,838,996)	162,228	(6,676,768)
Interest Expenses	(756,905)	-	(756,905)
Utility Charges (gas, electricity, water)	(2,194,158)	-	(2,194,158)
Loss on Sale of Assets	(46,837)	-	(46,837)
Insurance Expenses	(729,658)	-	(729,658)
Other Expenditure	(2,909,862)	-	(2,909,862)
	<u>(76,074,017)</u>	129,616	<u>(75,944,401)</u>
Non-cash amounts excluded from operating activities	6,723,030	(162,228)	6,560,802
11 <u>PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)</u>			
(c) Depreciation			
Furniture and equipment	169,453	(13,130)	156,323
Plant and equipment	654,791	(7,502)	647,289
Infrastructure - Parks	572,800	(3,259)	569,541
	<u>1,397,044</u>	<u>(23,891)</u>	<u>1,373,153</u>
13 <u>INVESTMENT PROPERTIES</u>			
Depreciation	138,337	(138,337)	-
	<u>138,337</u>	<u>(138,337)</u>	<u>-</u>
17 <u>NOTES TO THE STATEMENT OF CASH FLOWS</u>			
Net result	1,667,041	129,616	1,796,657
Depreciation	6,838,996	(162,228)	6,676,768
Net cash from operating activities	4,058,851	(32,612)	4,026,239
18 <u>TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY</u>			
Governance	71,135,906	(13,194)	71,122,712
General purpose funding	41,947,896	-	41,947,896
Law, order, public safety	1,522,932	(1,735)	1,521,197
Health	17,622	(3,754)	13,868
Education and welfare	6,305,661	(2,691)	6,302,970
Community amenities	1,000,355	(1,312)	999,043
Recreation and culture	116,621,022	(972,223)	115,648,799
Transport	162,175,314	(513)	162,174,801
Other property and services	98,707,889	87,388	98,795,277
	<u>499,434,597</u>	<u>(908,034)</u>	<u>498,526,563</u>
27 <u>RATE SETTING STATEMENT INFORMATION</u>			
Add: Depreciation on assets	6,838,996	(162,228)	6,676,768
35 <u>FINANCIAL RATIOS</u>			
Asset consumption ratio	0.71	(0.01)	0.70
Assets sustainability ratio	0.81	0.01	0.82

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

34 OTHER SIGNIFICANT ACCOUNTING POLICIES

a) 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.

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

When the City applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, 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.

e) 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.

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (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.

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the City gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

i) Impairment of assets

In accordance with Australian Accounting Standards the City's cash generating non-specialised 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 specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

CITY OF FREMANTLE
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35 ACTIVITIES/PROGRAMS

City operations as disclosed in these financial statements encompass the following service orientated activities/programs.

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE	To provide a decision making process for the efficient allocation of resources.	Includes the activities of members of the council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.
GENERAL PURPOSE FUNDING	To collect revenue to allow the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY	To provide services to ensure a safer and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
HEALTH	To provide an operational framework for environmental and community health.	Inspection of food outlets and their control, provision of noise control and waste disposal compliance.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth.	Elderly person's activities and support, community services planning, disabled persons services, youth services, indigenous issues, meals on wheels centre, pre-schools and other welfare and voluntary persons.
HOUSING	To provide and maintain elderly residence housing.	Provision and maintenance of elderly residence housing.
COMMUNITY AMENITIES	To provide services required by the community.	Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban stormwater drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resources which will help the social well-being of the	Maintenance of halls, recreation and cultural facilities, including sportsgrounds, parks, gardens, reserves, playgrounds and foreshore amenities. Maintenance of townscapes, Operation of libraries, leisure centres and art galleries.
TRANSPORT	To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads drainage single and dual use paths, bridges and traffic signs. Maintenance of road verges, strategic planning for transport and traffic flows, street lighting and street cleaning, parking control and parking operations.
ECONOMIC SERVICES	To help promote the city and its economic well-being.	Tourism and area promotion, operation of the visitor centre, sister cities expenses, City marketing and economic development, implementation of building control.
OTHER PROPERTY AND SERVICES	To monitor and control council's overhead operating accounts.	Private works operation, plant repair, public works overheads, land acquisition and disposal.

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CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

36 FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	1.34	0.99	1.00
Asset consumption ratio	0.69	0.70	0.82
Asset renewal funding ratio	1.82	0.77	0.67
Asset sustainability ratio	1.06	0.82	1.04
Debt service cover ratio	0.99	0.57	7.73
Operating surplus ratio	(0.08)	(0.02)	0.14
Own source revenue coverage ratio	0.90	0.93	0.98

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 consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
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	$\frac{\text{own source operating revenue}}{\text{operating expense}}$



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the City of Fremantle

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the City of Fremantle which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the City of Fremantle:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the City in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 to the annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the City's annual financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the City is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a annual financial report that is free from material misstatement, whether due to fraud or error.

In preparing the annual financial report, the CEO is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the City.

The Council is responsible for overseeing the City's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the annual financial report, including the disclosures, and whether the annual financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the City:
 - a. The Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries standard for the past 2 years, with the current year ratio also being below the previous year.

The financial ratios are reported at Note 36 to the annual financial report.

- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The annual financial report of the City for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The annual financial ratios for 2017 and 2018 in Note 36 of the audited annual financial report were included in the audited annual financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the City of Fremantle for the year ended 30 June 2019 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
9 December 2019

ADDITIONAL INFORMATION 1 - Audit concluding memorandum (Confidential)

Confidential under separate cover