
TOWN OF
EAST FREMANTLE



AGENDA

Audit Committee Meeting

Wednesday, 6 December 2017 at 6.15pm

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NOTICE OF MEETING

Elected Members

A Meeting of the Audit Committee will be held on **Wednesday, 6 December 2017 at Dovenby House, 1 Council Place East Fremantle** commencing at **6.15pm** and your attendance is requested.



GARY TUFFIN
Chief Executive Officer

AGENDA

1. OFFICIAL OPENING

2. ACKNOWLEDGEMENT OF COUNTRY

"On behalf of the Council I would like to acknowledge the Nyoongar people as the traditional custodians of the land on which this meeting is taking place."

3. RECORD OF ATTENDANCE

3.1 Attendance

3.2 Apologies

Mayor O'Neill

3.3 Leave of Absence

4. MEMORANDUM OF OUTSTANDING BUSINESS

None.

5. DISCLOSURES OF INTEREST

5.1 Financial

5.2 Proximity

5.3 Impartiality

6. PUBLIC QUESTION TIME

7. CONFIRMATION OF MINUTES

7.1 Meeting of Audit Committee (6 September 2017)

7.1 OFFICER RECOMMENDATION

That the minutes of the meeting of the Audit Committee held on Wednesday, 6 September 2017 be confirmed as a true and correct record of proceedings.

8. ANNOUNCEMENTS BY THE PRESIDING MEMBER

9. REPORTS

9.1 Audited Annual Financial Report 2016-2017

File ref	F/FNS3
Prepared by	David Taylor, Executive Manager Corporate and Community Services
Supervised by	Gary Tuffin, Chief Executive Officer
Meeting Date	6 December 2017
Voting requirements	Absolute Majority
Documents tabled	Nil
Attachments	Audited Annual Financial Statements

Purpose

To present the findings of the annual financial audit report of the Town's operations to Elected Members. The audit committee is required to consider and recommend adoption of the annual financial report, examine the auditor and management reports, and review the report prepared by the CEO.

Executive Summary

The audit of the Town of East Fremantle Annual Financial Statements for the year ended 30 June 2017 has been completed by Anderson Munro and Wylie. The Town has received an unqualified audit report.

This report recommends that the Auditor's Report, Audited Financial Statements and Management Report of the Town of East Fremantle for the financial year ending 30 June 2017 be received.

Background

The Town's auditors, Anderson Munro and Wylie have audited the 2016/17 Annual Financial Statements and have provided an Independent Auditor's Report as required under the relevant provisions of the Local Government Act 1995 (the Act).

The Town received an unqualified audit report and a management report that provides a summary of audit findings. There were no significant issues raised in the management report.

In accordance with section 7.12A(2) of the Local Government Act 1995 and the Local Government (Audit) Regulations 1996 council is required to meet with the external auditor at least once per year.

Bill-Joe Thomas from Anderson Munro and Wylie will meet with the Audit Committee on the 6th of December and further Council at the Ordinary Council meeting to be held on the 12th December 2017.

Consultation

Nil

Statutory Environment

Section 7.12A(2) of the Local Government Act 1995 and associated Audit Regulations require a local government to meet with its auditor at least once in every year.

Section 7.9(1) of the Local Government Act 1995 requires the auditor to submit a report to the local government by 31 December each year.

Policy Implications

F8.7 Significant Accounting Policies

Financial Implications

Audited Surplus of \$1,386,955 compared to a 2017/18 budgeted brought forward surplus of \$1,364,725 resulting in an additional \$22,230 of surplus funds available.

Strategic Implications

Nil

Site Inspection

Not applicable

Triple Bottom Line Assessment

Economic implications

Any additional surplus that is greater than the budgeted brought forward surplus may be used for existing or additional projects or allocated to reserve funds for future projects.

Social implications

There are no known significant social implications associated with this item.

Environmental implications

There are no known significant environmental implications associated with this item.

Comment

There are five (5) primary financial statements:

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Rate Setting Statement

Statement of Comprehensive Income

The Statement of Comprehensive Income (refer to pages 3 and 4 of the Financial Statements) shows the extent to which operating expenditure has exceeded operating revenue during the financial year.

An analysis of actual outcomes compared with the original budget for the year ended 30 June 2017 includes;

Net Operating Result

Actual end of year operating result ended in a \$39,310 deficit, a favourable variance of \$843,890 compared to the original budgeted deficit of \$883,200. These changes resulted from;

Operating Income (favourable \$538,059), with the main variances being:

- There was \$351,000 worth of additional grant monies received during the year. \$235,000 of this being changes in the timing of when the Financial Assistance Grant Scheme operational grant was received.
- An additional \$70,000 in interest has been received in relation to reserve fund investments and rates penalty interest.
- It is noted that there was a re-classification of \$150,000 grant from Fees and Charges to Operational Grants.

Operating Expenditure (favourable \$369,646), with the main variance being:

- Favourable savings salaries and wages, materials and contracts and utilities of \$475,379.
- Unfavourable variance of \$76,575 in other expenditure, mainly due to higher BCITF payments.

Non-Operating Income and Expenditure, with the main variances being:

- Additional \$20,000 received for non-operational grant in relation to the swan river erosion control project.
- The inclusion of Profit on sale of assets to the value of \$44,057. Details regarding these can be found in Note 21 of the Financial Report.
- The inclusion of Loss on sale of assets the value of \$127,872. Details regarding these can be found in Note 21 of the Financial Report.

Statement of Financial Position

The Statement of Financial Position (refer to page 5 of the Financial Statements) shows the assets and liabilities that comprise equity as at 30 June 2017.

Key financial figures within the audited Financial Report for the year ended 30 June 2017 include;

	2016	2017
Current Assets	5,173,567	4,813,245
Current Liabilities	(932,055)	(1,218,071)
Net Current Assets	4,241,512	3,595,174
Non-Current Assets	71,004,490	70,961,703
Non-Current Liabilities	(8,451)	(58,872)
Total Equity	75,237,551	74,498,005

Council's current assets exceed current liabilities by \$4.241m compared to \$3.595m last in the previous year.

Statement of Changes in Equity

The Statement of Changes in Equity (refer to Page 6 of the Financial Report) shows the extent to which equity has been increased by the net result of the year's activities.

For the year ending 30 June 2017, equity increased by \$739,546 which is a result of the net operating deficit from the Statement of Comprehensive Income of \$39,310 and a net change of \$778,856 of the revaluation reserve which comes as a direct result of the fair valuations of land and buildings.

Statement of Cash Flows

The Statement of Cash Flows (refer to page 7 of the Financial Report) shows the nature and amount of Council's cash inflows and out flows from all activities. Council's cash held at the end of the reporting period was \$4.892m compared to \$4,577 in the previous year.

Rate Setting Statement

The Rate Setting Statement (refer to page 8 of the Financial Report) shows the amount of rates required to be raised to fund the Town's operations during 2016/17, which was \$7.370m.

Capital Works

Actual capital expenditure of \$1.95m less than the original budget was incurred due to the following projects being deferred or partially completed and carried forward into the next financial year;

- Town Hall Renovation
- East Fremantle Junior football clubrooms
- John Tonkin interpretation node
- Foreshore Erosion Control
- East Fremantle Club Court Resurfacing
- Bicentennial Falls Retaining Walls
- IG Handcock Reserve – Stage 2
- Merv Cowan Drainage Realignment

Financial Ratio

In assessing the performance trends of the Town's financial resources, the financial statements include ratios which provide a comparison between the last three financial years of reporting. The following are the five main ratios that are reported and can be found on page 39 of the financial report;

1. Current Ratio (Risk: Low >100%) – The current ratio assess the adequacy of working capital and the Town's ability to satisfy short-term liabilities. Over the past three years the current ratio has improved from 1.07 to 3.59, this is due to the higher than budgeted cash balances which is a direct result of lower expenditure during the year.
2. Asset Sustainability Ratio (Risk: Low >110% High <90%) – This ratio measures the extent to which assets are being renewed/replaced compared to the amount consumed/depreciated. This ratio is influenced greatly by prior fair valuations and depreciation rates. Over the past three years this ratio has decreased from 1.32 to 0.76, this is an indication that the Town's assets are being consumed at a faster rate than they are being renewed. (i.e. they are depreciating quicker than they are being renewed). This ratio is greatly affected by fair valuations and associated depreciation rates. In particular, the deferred projects for 2016/17 financial year affected this ratio as those planned projects were not included in the renewal calculations. The Town is currently undergoing a review of its Asset Management Plans and Long Term Financial Plans which has a strong emphasis on addressing asset sustainability.
3. Debt Service Coverage Ratio (Risk: Low >5 High <2) – This ratio measures the Town's ability to service debt out of surplus funds from operating activities. The Town currently has no debt and therefore this ratio is not applicable.

4. Operating Surplus Ratio (Risk: Low >15% High <0%) – This ratio highlights the extent/scale of any operating surplus or deficit to overall revenue of the Town. This ratio has decreased from 0.09 to (0.01) over the past three years. This ratio is directly related to net operating surplus or deficit over own source revenue.
5. Own Source Revenue Coverage Ratio (Risk: Low >90% High <60%) – this ratio measures the ability to cover operating expenses against the Town’s own source revenue (i.e. excludes grants and subsidies). This ratio over the past three years has decreased from 0.94 to 0.85. It is important that this ratio does not decline as this is a critical sustainability measure. The higher this ratio the more self-reliant the Town is; the lower this ratio, the more reliant the Town is on external funding sources.

Generally these ratios give an indication that the Town needs to continue focusing on asset and service level sustainability through robust asset management and long term financial planning.

9.1 OFFICER RECOMMENDATION

That the Audit Committee recommends that Council:

- 1. receives the Auditors Report and Audited Financial Statements of the Town of East Fremantle for the year ending 30 June 2017.**
- 2. receives the Management Report pertaining to the year ending 30 June 2017.**
- 3. accepts the annual financial report for the year ending 30 June 2017.**

TOWN OF EAST FREMANTLE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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Principal place of business:
135 Canning Highway
East Fremantle 6158

**TOWN OF EAST FREMANTLE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Town being the annual financial report and supporting notes and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the Town at 30th June 2017 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the _____ day of _____ 2017



Gary Tuffin
Chief Executive Officer

TOWN OF EAST FREMANTLE
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Rates	23	7,370,900	7,374,000	6,893,029
Operating grants, subsidies and contributions	30	1,476,719	972,100	1,027,294
Fees and charges	29	1,372,970	1,394,300	1,295,417
Interest earnings	2(a)	235,921	166,400	220,100
Other revenue	2(a)	70,949	82,600	117,597
		<u>10,527,459</u>	<u>9,989,400</u>	<u>9,553,437</u>
Expenses				
Employee costs		(3,267,301)	(3,140,400)	(3,031,590)
Materials and contracts		(4,147,089)	(4,520,100)	(3,843,726)
Utility charges		(154,131)	(383,400)	(387,623)
Depreciation on non-current assets	2(a)	(2,614,799)	(2,522,800)	(2,533,323)
Insurance expenses		(178,159)	(241,000)	(242,092)
Other expenditure		(201,475)	(124,900)	(155,731)
		<u>(10,562,954)</u>	<u>(10,932,600)</u>	<u>(10,194,085)</u>
		(35,495)	(943,200)	(640,648)
Non-operating grants, subsidies and contributions	30	80,000	60,000	353,781
Profit on asset disposals	21	44,057	0	33,818
(Loss) on asset disposals	21	(127,872)	0	(5,651)
Net result		(39,310)	(883,200)	(258,700)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	778,856	0	222,818
Total other comprehensive income		778,856	0	222,818
Total comprehensive income		739,546	(883,200)	(35,882)

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

TOWN OF EAST FREMANTLE
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue	2(a)			
Governance		46,751	26,200	103,643
General purpose funding		8,010,490	7,728,600	7,294,175
Law, order, public safety		29,214	29,600	28,968
Health		12,545	12,400	12,288
Education and welfare		937,073	899,100	901,556
Housing		86,034	87,000	85,760
Community amenities		314,831	331,000	212,329
Recreation and culture		418,108	430,600	345,933
Transport		410,220	276,800	373,253
Economic services		210,644	136,800	151,755
Other property and services		51,549	31,300	43,777
		<u>10,527,459</u>	<u>9,989,400</u>	<u>9,553,437</u>
Expenses	2(a)			
Governance		(901,975)	(996,900)	(806,186)
General purpose funding		(106,908)	(111,700)	(75,599)
Law, order, public safety		(94,869)	(106,600)	(102,663)
Health		(184,286)	(187,600)	(143,514)
Education and welfare		(1,163,888)	(1,205,400)	(1,161,379)
Housing		(31,798)	(35,500)	(28,827)
Community amenities		(2,416,560)	(2,708,000)	(2,302,292)
Recreation and culture		(2,479,975)	(2,468,000)	(2,403,887)
Transport		(2,909,367)	(2,899,300)	(2,962,635)
Economic services		(156,903)	(110,000)	(113,703)
Other property and services		(116,425)	(103,600)	(93,400)
		<u>(10,562,954)</u>	<u>(10,932,600)</u>	<u>(10,194,085)</u>
Finance costs	2(a)			
		(35,495)	(943,200)	(640,648)
Non-operating grants, subsidies and contributions	30	80,000	60,000	353,781
Profit on disposal of assets	21	44,057	0	33,818
(Loss) on disposal of assets	21	(127,872)	0	(5,651)
Net result		(39,310)	(883,200)	(258,700)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	778,856	0	222,818
Total other comprehensive income		778,856	0	222,818
Total comprehensive income		739,546	(883,200)	(35,882)

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

**TOWN OF EAST FREMANTLE
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2017**

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	4,892,311	4,577,986
Trade and other receivables	4	281,256	235,259
TOTAL CURRENT ASSETS		<u>5,173,567</u>	<u>4,813,245</u>
NON-CURRENT ASSETS			
Other receivables	4	57,438	70,873
Property, plant and equipment	5	17,431,317	16,637,084
Infrastructure	6	53,515,735	54,253,746
TOTAL NON-CURRENT ASSETS		<u>71,004,490</u>	<u>70,961,703</u>
TOTAL ASSETS		<u>76,178,057</u>	<u>75,774,948</u>
CURRENT LIABILITIES			
Trade and other payables	7	274,648	540,249
Provisions	9	657,407	677,822
TOTAL CURRENT LIABILITIES		<u>932,055</u>	<u>1,218,071</u>
NON-CURRENT LIABILITIES			
Provisions	9	8,451	58,872
TOTAL NON-CURRENT LIABILITIES		<u>8,451</u>	<u>58,872</u>
TOTAL LIABILITIES		<u>940,506</u>	<u>1,276,943</u>
NET ASSETS		<u>75,237,551</u>	<u>74,498,005</u>
EQUITY			
Retained surplus		22,288,168	22,127,123
Reserves - cash backed	12	3,251,730	3,452,085
Revaluation surplus	13	49,697,653	48,918,797
TOTAL EQUITY		<u>75,237,551</u>	<u>74,498,005</u>

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

**TOWN OF EAST FREMANTLE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2015		23,978,173	1,859,735	48,695,979	74,533,887
Comprehensive income					
Net result		(258,700)	0	0	(258,700)
Changes on revaluation of assets	13	0	0	222,818	222,818
Total comprehensive income		<u>(258,700)</u>	<u>0</u>	<u>222,818</u>	<u>(35,882)</u>
Transfers from/(to) reserves		(1,592,350)	1,592,350	0	0
Balance as at 30 June 2016		22,127,123	3,452,085	48,918,797	74,498,005
Comprehensive income					
Net result		(39,310)	0	0	(39,310)
Changes on revaluation of assets	13	0	0	778,856	778,856
Total comprehensive income		<u>(39,310)</u>	<u>0</u>	<u>778,856</u>	<u>739,546</u>
Transfers from/(to) reserves		200,355	(200,355)	0	0
Balance as at 30 June 2017		22,288,168	3,251,730	49,697,653	75,237,551

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

**TOWN OF EAST FREMANTLE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		7,348,269	7,374,000	6,882,786
Operating grants, subsidies and contributions		1,419,063	972,100	1,045,589
Fees and charges		1,372,970	1,279,600	1,295,417
Interest earnings		235,921	166,400	220,100
Goods and services tax		648,213	297,000	514,241
Other revenue		70,949	82,600	117,597
		<u>11,095,385</u>	<u>10,171,700</u>	<u>10,075,730</u>
Payments				
Employee costs		(3,342,708)	(3,140,400)	(2,946,617)
Materials and contracts		(4,408,119)	(4,515,500)	(4,196,685)
Utility charges		(154,131)	(383,400)	(387,623)
Insurance expenses		(178,159)	(241,000)	(242,092)
Goods and services tax		(600,488)	(297,000)	(500,712)
Other expenditure		(201,475)	(124,900)	(155,731)
		<u>(8,885,080)</u>	<u>(8,702,200)</u>	<u>(8,429,460)</u>
Net cash provided by (used in) operating activities	14(b)	<u>2,210,305</u>	<u>1,469,500</u>	<u>1,646,270</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(827,370)	(2,135,000)	(223,652)
Payments for construction of infrastructure		(1,328,385)	(1,971,100)	(591,359)
Non-operating grants, subsidies and contributions		80,000	60,000	353,781
Proceeds from sale of fixed assets		179,775	111,000	78,458
Net cash provided by (used in) investment activities		<u>(1,895,980)</u>	<u>(3,935,100)</u>	<u>(382,772)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from new debentures		0	500,000	0
Net cash provided by (used in) financing activities		<u>0</u>	<u>500,000</u>	<u>0</u>
Net increase (decrease) in cash held		314,325	(1,965,600)	1,263,498
Cash at beginning of year		4,577,986	4,293,900	3,314,488
Cash and cash equivalents at the end of the year	14(a)	<u>4,892,311</u>	<u>2,328,300</u>	<u>4,577,986</u>

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

**TOWN OF EAST FREMANTLE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
Net current assets at start of financial year - surplus/(deficit)		504,265	202,900	523,436
		504,265	202,900	523,436
Revenue from operating activities (excluding rates)				
Governance		54,459	26,200	105,147
General purpose funding		639,590	354,600	401,146
Law, order, public safety		29,214	29,600	32,226
Health		16,599	12,400	15,128
Education and welfare		941,236	899,100	901,556
Housing		86,034	87,000	85,760
Community amenities		314,831	331,000	212,329
Recreation and culture		432,948	430,600	363,766
Transport		423,512	276,800	381,636
Economic services		210,644	136,800	151,755
Other property and services		51,549	31,300	43,777
		3,200,616	2,615,400	2,694,226
Expenditure from operating activities				
Governance		(901,975)	(996,900)	(806,186)
General purpose funding		(106,908)	(111,700)	(75,599)
Law, order, public safety		(94,869)	(106,600)	(102,663)
Health		(184,286)	(187,600)	(143,514)
Education and welfare		(1,163,888)	(1,205,400)	(1,161,379)
Housing		(31,798)	(35,500)	(28,827)
Community amenities		(2,417,513)	(2,708,000)	(2,302,292)
Recreation and culture		(2,606,408)	(2,468,000)	(2,403,887)
Transport		(2,909,853)	(2,899,300)	(2,968,286)
Economic services		(156,903)	(110,000)	(113,703)
Other property and services		(116,425)	(103,600)	(93,400)
		(10,690,826)	(10,932,600)	(10,199,736)
Operating activities excluded from budget				
(Profit) on disposal of assets	21	(44,057)	0	(33,818)
Loss on disposal of assets	21	127,872	0	5,651
Movement in deferred pensioner rates (non-current)		13,435	0	45,944
Movement in employee benefit provisions (non-current)		(50,421)	0	17,332
Movement in cash-backed leave reserve		35,997	0	0
Depreciation and amortisation on assets	2(a)	2,614,799	2,522,800	2,533,323
Amount attributable to operating activities		(4,288,320)	(5,591,500)	(4,413,642)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		80,000	60,000	353,781
Proceeds from disposal of assets	21	179,775	111,000	78,458
Purchase of property, plant and equipment	5(b)	(827,370)	(2,135,000)	(223,652)
Purchase and construction of infrastructure	6(b)	(1,328,385)	(1,971,100)	(591,359)
Amount attributable to investing activities		(1,895,980)	(3,935,100)	(382,772)
FINANCING ACTIVITIES				
Proceeds from new debentures	22(a)	0	500,000	0
Transfers to reserves (restricted assets)	12	(1,830,326)	(1,782,500)	(2,400,355)
Transfers from reserves (restricted assets)	12	2,030,681	3,435,100	808,005
Amount attributable to financing activities		200,355	2,152,600	(1,592,350)
Surplus(deficiency) before general rates		(5,983,945)	(7,374,000)	(6,388,764)
Total amount raised from general rates	23	7,370,900	7,374,000	6,893,029
Net current assets at June 30 c/fwd - surplus/(deficit)	24	1,386,955	0	504,265

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the report has 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 Town 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 20 to these financial statements.

(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) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Trade and Other Receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

(d) Inventories

General

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land held for sale

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

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

Land held for sale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.

(e) Fixed Assets

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

Mandatory requirement to revalue non-current assets

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

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

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

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

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

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 Town.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

Buildings	40 to 50 years (2.5% - 2.0%)
IT Equipment	4 Years (25%)
Furniture and Equipment	10 Years (10%)
Plant and Equipment - HACC Buses	12 Years (8.5%)
Plant and Equipment - Heavy Fleet	11 Years (9%)
Plant and Equipment - Light Fleet	5 Years (20%)
Plant and Equipment - Other/Ride On Mowers	5 Years (20%)
Infrastructure	Various

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

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

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Assets and Liabilities

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

Fair Value is the price that the Town 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.

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 Town 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 Town are consistent with one or more of the following valuation approaches:

Market approach

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Assets and Liabilities (Continued)

Income approach

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

Cost approach

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

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Town 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.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

(g) Financial Instruments

Initial recognition and measurement

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

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or at cost.

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction for impairment; and
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

(i) Financial assets at fair value through profit and loss

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

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

Held-to-maturity investments are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

(v) Financial liabilities

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Town no longer has any significant continual involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(h) Impairment of Assets

In accordance with Australian Accounting Standards the Town's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

(i) Trade and Other Payables

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Employee Benefits

Short-term employee benefits

Provision is made for the Town'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 Town's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Town's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Town's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Town 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.

(k) 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.

(l) Provisions

Provisions are recognised when the Town 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.

(m) 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 Town, are classified as finance leases.

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

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

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

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Investment in Associates

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

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

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

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

(o) Interests in Joint Arrangements

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

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(o) for a description of the equity method of accounting.

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

(p) Rates, Grants, Donations and Other Contributions

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

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

(q) Superannuation

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Current and Non-Current Classification

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

(s) Rounding Off Figures

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

(t) Comparative Figures

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

When the Town applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(u) Budget Comparative Figures

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Town, it is not anticipated the Standard will have any material effect.
(ii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend upon the nature of future transactions the Town has with those third parties it has dealings with. It may or may not be significant.
(iii) AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted. Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Town, the impact is not expected to be significant.

Notes:

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services.

Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Town's operations.

Notes:

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

(w) Adoption of New and Revised Accounting Standards

During the current year, the Town 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 associate with the amendment of existing standards, the only new standard with material application is as follows:

- (i) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities
[AASB 10, 124 & 1049]
- The objective of this Standard was to extend the scope of AASB 124 *Related Party Disclosures* to include not-for-profit sector entities.
- The Standard has had a significant disclosure impact on the financial report of the Town as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES**2017****2016**

\$

\$

(a) Net Result

The Net result includes:

(i) Charging as an expense:

Auditors remuneration

- Audit of the Annual Financial Report	10,330	18,120
- Other Services	6,740	2,270

Depreciation

Buildings - non-specialised	14,849	31,006
Buildings - specialised	298,477	280,923
Furniture and equipment	41,508	38,343
Plant and equipment	193,569	177,438
Infrastructure - Roads	634,916	591,581
Infrastructure - Footpaths	320,248	312,544
Infrastructure - Drainage	136,982	136,982
Infrastructure - Parks and Ovals	644,808	635,516
Infrastructure - Car Parks	55,451	54,998
Infrastructure - Other Improvements	273,991	273,992
	<u>2,614,799</u>	<u>2,533,323</u>

(ii) Crediting as revenue:

Other revenue

Reimbursements and recoveries	67,617	113,122
Significant revenue (refer above)	3,332	4,475
	<u>70,949</u>	<u>117,597</u>

2017**2017****2016****Actual****Budget****Actual**

\$

\$

\$

Interest earnings

- Reserve funds	86,618	57,000	52,325
- Other funds	72,815	72,000	100,473
Other interest revenue (refer note 28)	76,488	37,400	67,302
	<u>235,921</u>	<u>166,400</u>	<u>220,100</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

COMMUNITY VISION

Our Town has a distinct identity. We are recognised for the integration of our heritage, lifestyle, environment and community value.

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

GOVERNANCE

Objective:

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

Activities:

Includes the activities of members of 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

Objective:

To collect revenue to allow for the provision of services.

Activities:

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

To provide services to help ensure a safer and environmentally conscious community.

Activities:

Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.

EDUCATION AND WELFARE

Objective:

To provide assistance to senior citizens welfare and home and community health.

Activities:

Provision and maintenance of home and community care programs including meals on wheels, in home care, home maintenance, senior outings, respite and school holiday programs.

HOUSING

Objective:

To assist with housing for staff and the community.

Activities:

Provision and maintenance of residential rental properties..

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

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

Activities:

Rubbish collection, recycling and disposal, joint maintenance of SMRC waste management facility, administration of Town Planning Schemes, heritage protection and townspaces, maintenance of urban stormwater drainage and protection of the environment.

RECREATION AND CULTURE

Objective:

To plan, establish and efficiently manage sport and recreation infrastructure and resources which will help the social well being and health and community.

Activities:

The provision and maintenance of various community infrastructure including public halls, recreation grounds, sports pavillions, playgrounds, parks, gardens, beaches and the joint operation of the City of Fremantle Library.

TRANSPORT

Objective:

To provide safe, effective and efficient transport services to the community.

Activities:

Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

ECONOMIC SERVICES

Objective:

To help promote the Town and its economic wellbeing.

Activities:

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

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control plant and depot operations, and to provide other property and services not included elsewhere.

Activities:

Private works operation, plant operating costs, depot operations and unclassified property functions.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/15 \$	Received ⁽²⁾ 2015/16 \$	Expended ⁽³⁾ 2015/16 \$	Closing Balance ⁽¹⁾ 30/06/16 \$	Received ⁽²⁾ 2016/17 \$	Expended ⁽³⁾ 2016/17 \$	Closing Balance 30/06/17 \$
Education and welfare							
DoH HACC Non-Operating Plant Replacement	0	88,140	0	88,140	0	(88,140)	0
DoH HACC Non-Operating Capital Grant	0	0	0	0	14,208	0	14,208
Recreation and culture							
Kidsport Grant	2,005	0	(2,005)	0	0	0	0
DSR Recreation and Community Facilities Plan	50,000	0	(50,000)	0	0	0	0
DopW Swan River Trust Erosion Control	0	167,500	0	167,500	0	0	167,500
Transport							
DoIRD Roads to Recovery	0	98,141	0	98,141	0	(98,141)	0
Total	52,005	353,781	(52,005)	353,781	14,208	(186,281)	181,708

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.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

	Note	2017 \$	2016 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		1,640,581	1,125,901
Restricted		<u>3,251,730</u>	<u>3,452,085</u>
		<u>4,892,311</u>	<u>4,577,986</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserves cash backed - Leave Reserve	12	397,173	361,176
Reserves cash backed - Plant Replacement Reserve	12	252,480	254,369
Reserves cash backed - Civic Building Reserve	12	1,228,809	899,657
Reserves cash backed - Office Reserve	12	147,992	143,967
Reserves cash backed - Legal Costs Reserve	12	138,812	135,038
Reserves cash backed - HACC Reserve	12	211,451	205,700
Reserves cash backed - Strategic Plan Reserve	12	550,135	1,003,383
Reserves cash backed - Arts & Sculpture Reserve	12	143,170	95,014
Reserves cash backed - Unspent Grant & Restrictd C	12, 2(c)	<u>181,708</u>	<u>353,781</u>
		<u>3,251,730</u>	<u>3,452,085</u>

4. TRADE AND OTHER RECEIVABLES**Current**

Rates outstanding	150,429	114,363
Sundry debtors	131,427	63,352
GST receivable	0	47,725
Accrued Income ESL	0	10,419
Less Provision for Doubtful Debts	<u>(600)</u>	<u>(600)</u>
	<u>281,256</u>	<u>235,259</u>

Non-current

Rates outstanding - pensioners	<u>57,438</u>	<u>70,873</u>
	<u>57,438</u>	<u>70,873</u>

Information with respect the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:

Rates outstanding	<u>150,429</u>	<u>114,363</u>
Includes:		
Past due and not impaired	150,429	114,323
Impaired	<u>0</u>	<u>0</u>
Sundry debtors	<u>131,427</u>	<u>63,352</u>
Includes:		
Past due and not impaired	131,427	32,352
Impaired	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

	2017	2016
	\$	\$
5 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
- Independent valuation 2017 - level 2	4,451,000	0
- Independent valuation 2014 - level 2	0	3,992,000
	<u>4,451,000</u>	<u>3,992,000</u>
	<u>4,451,000</u>	<u>3,992,000</u>
 Buildings - non-specialised at:		
- Independent valuation 2017 - level 2	541,000	0
- Independent valuation 2014 - level 2	0	1,206,000
Buildings - non-specialised - Less: accumulated depreciation	0	(62,012)
	<u>541,000</u>	<u>1,143,988</u>
 Buildings - specialised at:		
- Independent valuation 2017 - level 3	11,508,900	0
- Independent valuation 2014 - level 3	0	10,959,000
- Additions after valuation - cost	0	345,455
Buildings - specialised - Less: accumulated depreciation	0	(554,910)
	<u>11,508,900</u>	<u>10,749,545</u>
	<u>12,049,900</u>	<u>11,893,533</u>
 Total land and buildings	<u>16,500,900</u>	<u>15,885,533</u>
 Furniture and equipment at:		
- Management valuation 2016 - level 2	298,586	309,066
- Additions after valuation - cost	151,117	0
Furniture and equipment - Less: accumulated depreciation	(264,935)	(233,907)
	<u>184,768</u>	<u>75,159</u>
 Plant and equipment at:		
- Management valuation 2016 - level 2	1,443,123	1,908,142
- Additions after valuation - cost	399,982	0
Plant and equipment - Less: accumulated depreciation	(1,097,456)	(1,231,750)
	<u>745,649</u>	<u>676,392</u>
	<u>17,431,317</u>	<u>16,637,084</u>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening 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.

TOWN OF EAST FREMANTLE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2017

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) 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.

	Balance at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Losses)/ Reversals Through to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	3,992,000	0	0	459,000	0	0	0	0	4,451,000
Total land	3,992,000	0	0	459,000	0	0	0	0	4,451,000
Buildings - non-specialised	1,143,988	0	0	(8,632)	0	0	(14,849)	(579,507)	541,000
Buildings - specialised	10,749,545	276,270	(126,433)	328,488	0	0	(298,477)	579,507	11,508,900
Total buildings	11,893,533	276,270	(126,433)	319,856	0	0	(313,326)	0	12,049,900
Total land and buildings	15,885,533	276,270	(126,433)	778,856	0	0	(313,326)	0	16,500,900
Furniture and equipment	75,159	151,117	0	0	0	0	(41,508)	0	184,768
Plant and equipment	676,392	399,983	(137,155)	0	0	0	(193,569)	0	745,649
Total property, plant and equipment	16,637,084	827,370	(263,588)	778,856	0	0	(548,403)	0	17,431,377

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) 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 / income approach using discounted cash flow methodology.	Independent Registered Valuers	June 2017	Price per hectare / market borrowing rate.
Buildings - non-specialised	(Level 2)	Market approach using recent observable market data for similar properties / income approach using discounted cash flow methodology.	Independent Registered Valuers	June 2017	Price per square metre / market borrowing rate.
Buildings - specialised	(Level 3)	Improvements to land using cost approach of 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 assessment (Level 3) inputs.
Furniture and equipment					
	(Level 3)	Cost approach using depreciated replacement cost.	Management Valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessment (Level 3) inputs.
Plant and equipment	(Level 2)	Market approach using recent observable market data for similar items.	Management Valuation	June 2016	Price per item.

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.

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
6 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Management valuation 2015 - level 3	33,356,000	33,356,000
- Additions after valuation - cost	891,381	395,648
Infrastructure - Roads - Less: accumulated depreciation	<u>(1,226,497)</u>	<u>(591,581)</u>
	33,020,884	33,160,067
Infrastructure - Footpaths		
- Management valuation 2015 - level 3	4,718,000	4,718,000
- Additions after valuation - cost	314,811	108,482
Infrastructure - User defined 2 - Less: accumulated depreciation	<u>(632,792)</u>	<u>(312,544)</u>
	4,400,019	4,513,938
Infrastructure - Drainage		
- Management valuation 2015 - level 3	2,998,000	2,998,000
Infrastructure - User defined 3 - Less: accumulated depreciation	<u>(273,964)</u>	<u>(136,982)</u>
	2,724,036	2,861,018
Infrastructure - Parks and Ovals		
- Management valuation 2015 - level 3	8,610,000	8,610,000
- Additions after valuation - cost	645,928	87,229
Infrastructure - User defined 4 - Less: accumulated depreciation	<u>(1,280,323)</u>	<u>(635,516)</u>
	7,975,605	8,061,713
Infrastructure - Car Parks		
- Management valuation 2015 - level 3	3,013,000	3,013,000
- Additions after valuation - cost	67,623	0
Infrastructure - User defined 5 - Less: accumulated depreciation	<u>(110,449)</u>	<u>(54,998)</u>
	2,970,174	2,958,002
Infrastructure - Other Improvements		
- Management valuation 2015 - level 3	2,973,000	2,973,000
Infrastructure - User defined 6 - Less: accumulated depreciation	<u>(547,983)</u>	<u>(273,992)</u>
	2,425,017	2,699,008
	<u>53,515,735</u>	<u>54,253,746</u>

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening 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 infrastructure to be shown at fair value.

Note: Parks and Ovals and Other Improvements Infrastructure are inclusive of Reserves, Rivers, Signs, Irrigation, Parks and Bus Shelters.

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

6. INFRASTRUCTURE (Continued)

(b) 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.

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	33,160,067	495,733	0	0	0	0	(634,916)	0	33,020,884
Infrastructure - Footpaths	4,513,938	206,329	0	0	0	0	(320,248)	0	4,400,019
Infrastructure - Drainage	2,861,018	0	0	0	0	0	(136,982)	0	2,724,036
Infrastructure - Parks and Ovals	8,061,713	558,700	0	0	0	0	(644,808)	0	7,975,605
Infrastructure - Car Parks	2,958,002	67,623	0	0	0	0	(55,451)	0	2,970,174
Infrastructure - Other Improvements	2,699,008	0	0	0	0	0	(273,991)	0	2,425,017
Total Infrastructure	54,253,746	1,328,385	0	0	0	0	(2,066,396)	0	53,515,735

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

6. INFRASTRUCTURE (Continued)

(c) 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 Valuation	June 2015	Construction cost and current condition (Level 2), residual value and remaining useful life assessments (Level3) inputs.
Infrastructure - Footpaths	(Level 3)	Cost approach using depreciated replacement cost.	Independent Registered Valuation	June 2015	Construction cost and current condition (Level 2), residual value and remaining useful life assessments (Level3) inputs.
Infrastructure - Drainage	(Level 3)	Cost approach using depreciated replacement cost.	Independent Registered Valuation	June 2015	Construction cost and current condition (Level 2), residual value and remaining useful life assessments (Level3) inputs.
Infrastructure - Parks and Ovals	(Level 3)	Cost approach using depreciated replacement cost.	Independent Registered Valuation	June 2015	Construction cost and current condition (Level 2), residual value and remaining useful life assessments (Level3) inputs.
Infrastructure - Car Parks	(Level 3)	Cost approach using depreciated replacement cost.	Independent Registered Valuation	June 2015	Construction cost and current condition (Level 2), residual value and remaining useful life assessments (Level3) inputs.
Infrastructure - Other Improvements	(Level 3)	Cost approach using depreciated replacement cost.	Independent Registered Valuation	June 2015	Construction cost and current condition (Level 2), residual value and remaining useful life assessments (Level3) inputs.

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

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

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
7. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	195,770	456,800
Accrued salaries and wages	78,878	83,449
	<u>274,648</u>	<u>540,249</u>

8. LONG-TERM BORROWINGS

The Town did not have any long term borrowings at the reporting date.

9. PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2016			
Current provisions	263,782	414,040	677,822
Non-current provisions	0	58,872	58,872
	<u>263,782</u>	<u>472,912</u>	<u>736,694</u>
Additional provision	158,350	32,927	191,277
Amounts used	(109,309)	(152,804)	(262,113)
Balance at 30 June 2017	<u>312,823</u>	<u>353,035</u>	<u>665,858</u>
Comprises			
Current	312,823	344,584	657,407
Non-current	0	8,451	8,451
	<u>312,823</u>	<u>353,035</u>	<u>665,858</u>

TOWN OF EAST FREMANTLE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2017

12. RESERVES - CASH BACKED

	Actual 2017 Opening Balance \$	Actual 2017 Transfer to \$	Actual 2017 Closing Balance \$	Budget 2017 Opening Balance \$	Budget 2017 Transfer to \$	Budget 2017 Closing Balance \$	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$
Reserves cash backed - Leave Reserve	361,176	35,997	397,173	361,100	25,900	387,000	327,981	60,195	(27,000)	361,176
Reserves cash backed - Plant Replacement Reserve	254,369	147,111	252,480	178,300	140,000	169,300	183,372	159,997	(89,000)	254,369
Reserves cash backed - Civic Building Reserve	899,657	329,152	1,228,809	899,600	304,000	93,600	381,663	553,994	(36,000)	899,657
Reserves cash backed - Office Reserve	143,967	4,025	147,992	143,900	53,000	19,900	114,968	50,999	(22,000)	143,967
Reserves cash backed - Legal Costs Reserve	135,038	3,775	138,813	135,000	0	135,000	131,140	3,898		135,038
Reserves cash backed - HACC Reserve	205,700	5,751	211,451	205,700	0	205,700	174,702	30,998		205,700
Reserves cash backed - Strategic Plan Reserve	1,003,383	1,242,151	550,134	1,004,300	1,214,100	523,000	419,389	1,140,994	(557,000)	1,003,383
Reserves cash backed - Arts & Sculpture Reserve	95,014	48,156	143,170	95,000	45,500	92,300	74,515	45,499	(25,000)	95,014
Reserves cash backed - Unspent Grant & Restrict	353,781	14,208	181,708	353,700	0	98,200	52,005	353,781	(52,005)	353,781
	3,452,085	1,830,326	3,251,730	3,376,600	1,782,500	1,724,000	1,859,735	2,400,355	(808,005)	3,452,085

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.

TOWN OF EAST FREMANTLE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2017

12. RESERVES - CASH BACKED

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	Purpose of the reserve
Reserves cash backed - Leave Reserve	The purpose to provide coverage in relation to accumulated leave obligations.
Reserves cash backed - Plant Replacement Reserve	The purchase and replacement of major plant.
Reserves cash backed - Civic Building Reserve	The purpose of maintaining civic buildings.
Reserves cash backed - Office Reserve	The purpose of IT infrastructure and other office equipment.
Reserves cash backed - Legal Costs Reserve	The purpose of funding legal obligations.
Reserves cash backed - HACC Reserve	The retention of unspent HACC program funds and HACC asset replacement.
Reserves cash backed - Strategic Plan Reserve	The purpose of maintaining infrastructure and the provision of strategic plans.
Reserves cash backed - Arts & Sculpture Reserve	The provision of art and sculpture.
Reserves cash backed - Unspent Grant & Restrictd Cash Reserve	The retention of unspent specific purpose grants and moneys.

The reserves are not expected to be used within a set period as and will be transferred too and/or utilised as required.

TOWN OF EAST FREMANTLE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2017

13. REVALUATION SURPLUS

	2017				2016					
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance
Revaluation surplus - Land	\$ 3,502,000	\$ 459,000	\$ 0	\$ 459,000	\$ 3,961,000	\$ 3,502,000	\$ 0	\$ 0	\$ 0	\$ 3,502,000
Revaluation surplus - Buildings - non-specialised	512,403	0	(8,632)	(8,632)	503,771	512,403	0	0	0	512,403
Revaluation surplus - Buildings - specialised	5,002,215	328,488	0	328,488	5,330,703	5,002,215	0	0	0	5,002,215
Revaluation surplus - Plant and equipment	222,818	0	0	0	222,818	0	222,818	0	222,818	222,818
Revaluation surplus - Infrastructure - Roads	26,166,712	0	0	0	26,166,712	26,166,712	0	0	0	26,166,712
Revaluation surplus - Infrastructure - Footpaths	1,717,848	0	0	0	1,717,848	1,717,848	0	0	0	1,717,848
Revaluation surplus - Infrastructure - Drainage	1,753,269	0	0	0	1,753,269	1,753,269	0	0	0	1,753,269
Revaluation surplus - Infrastructure - Parks and Ovals	6,113,988	0	0	0	6,113,988	6,113,988	0	0	0	6,113,988
Revaluation surplus - Infrastructure - Car Parks	1,198,359	0	0	0	1,198,359	1,198,359	0	0	0	1,198,359
Revaluation surplus - Infrastructure - Other Improvements	2,729,185	0	0	0	2,729,185	2,729,185	0	0	0	2,729,185
	48,918,797	787,488	(8,632)	778,856	49,697,653	48,695,979	222,818	0	222,818	48,918,797

Movements on revaluation of fixed assets 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.

TOWN OF EAST FREMANTLE
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FOR THE YEAR ENDED 30TH JUNE 2017

14. NOTES TO THE STATEMENT OF CASH FLOWS**(a) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	2017	2017	2016
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>4,892,311</u>	<u>2,328,300</u>	<u>4,577,986</u>

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

Net result	(39,310)	(883,200)	(258,700)
Non-cash flows in Net result:			
Depreciation	2,614,799	2,522,800	2,533,323
(Profit)/Loss on sale of asset	83,815	0	(28,167)
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(32,562)	(114,700)	21,581
Increase/(Decrease) in payables	(265,601)	4,600	(321,194)
Increase/(Decrease) in provisions	(70,836)	0	53,208
Grants contributions for the development of assets	<u>(80,000)</u>	<u>(60,000)</u>	<u>(353,781)</u>
Net cash from operating activities	<u>2,210,305</u>	<u>1,469,500</u>	<u>1,646,270</u>

(c) Undrawn Borrowing Facilities

	2017	2016
	\$	\$
Credit Standby Arrangements		
Bank overdraft limit	100,000	100,000
Bank overdraft at balance date	0	0
Credit card limit	5,000	5,000
Credit card balance at balance date	<u>5,000</u>	<u>(31)</u>
Total amount of credit unused	<u>110,000</u>	<u>104,969</u>
Loan facilities		
Loan facilities - current	0	0
Loan facilities - non-current	<u>0</u>	<u>0</u>
Total facilities in use at balance date	<u>0</u>	<u>0</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

15. CONTINGENT LIABILITIES**(a) Regional Resource Recovery Centre (RRRC) - Lending Facility**

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

The Town's estimated share of the project funding and liability is based on population percentages.

The RRRC Loan Liability as at 30 June 2017 is \$19,522,597 (LY \$23,179,903) with the Council;s share of this liability as per below;

		2017	2016
Liability Share	\$	595,439	709,305
Liability Sharing Ratio	%	3.05	3.06

(b) Southern Metropolitan Regional Council (SMRC) - Office Project

The Town is project participant in the SMRC Office project. The project was established through the Southern Metropolitan Regional Council (SMRC) and involves the Cities of Cockburn, Fremantle, Kwinana, Melville and the Town of East Fremantle in the development of an independent centre at 9 Aldous Place, Booragoon.

The Town's estimated share of the project funding and liability is based on population percentages.

The SMRC Loan Liability as at 30 June 2017 is \$1,800,000 (LY \$1,800,000) with the Council;s share of this liability as per below;

		2017	2016
Liability Share	\$	47,700	48,060
Liability Sharing Ratio	%	2.65%	2.67%

16. CAPITAL AND LEASING COMMITMENTS

The Town did not have any future capital expenditure commitments at the reporting date.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

17. JOINT VENTURE ARRANGEMENTS

The Town is a member of the SMRC which was established in accordance with the Local Government Act 1995 and consists of the Cities of Cokburn, Fremantle, Kwinana, Melville and the Town of East Fremantle.

The Town's estimated share of the project funding and liability is based on population percentages.

The SMRC General Equity as at 30 June 2017 is \$3,127,127 (LY \$2,367,025) with the Council's share of this liability as per below;

		2017	2016
Equity Share	\$	82,869	63,200
Equity Sharing Ratio	%	2.65	2.67

Regional Resource Recovery Centre (RRRC)

The Town is a member of the SMRC which was established as a joint venture through the SMRC with the Cities of Cokburn, Fremantle, Kwinana, Melville and the Town of East Fremantle. The RRRC joint venture's principal activity is the development of a municipal waste processing, recycling and green waste facility at Canning Vale.

The Town's estimated share of the project funding and liability is based on population percentages.

The RRRC project equity as at 30 June 2017 is \$12,269,475 (LY \$12,262,471) with the Council's share of this equity as per below;

		2017	2016
Equity Share	\$	385,199	375,232
Equity Sharing Ratio	%	3.05	3.06

The SWG project equity as at 30 June 2017 is \$122,400 (LY \$207,600) with the Council's share of this equity listed below;

		2017	2016
Equity Share	\$	9,180	10,649
Equity Sharing Ratio	%	7.70	7.32

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
Governance	7,613,091	7,473,913
General purpose funding	5,231,005	0
Health	31,500	34,149
Education and welfare	1,215,295	1,244,429
Housing	238,000	248,426
Community amenities	90,500	74,070
Recreation and culture	17,910,448	18,484,171
Transport	43,115,113	43,493,025
Other property and services	733,105	4,722,765
	<u>76,178,057</u>	<u>75,774,948</u>

**TOWN OF EAST FREMANTLE
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	2017	2016	2015
19. FINANCIAL RATIOS			
Current ratio	3.59	1.59	1.07
Asset sustainability ratio	0.76	0.20	1.32
Debt service cover ratio	N/A	N/A	38.89
Operating surplus ratio	(0.01)	(0.07)	0.09
Own source revenue coverage ratio	0.85	0.84	0.94

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 53 of this document.

Three of the 2017 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2017-18 Financial Assistance Grant in June 2017.

The early payment of the grant increased operating revenue in 2017 by \$119,856.

Three of the 2016 and 2015 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grant on 30 June 2015.

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$119,233.

If recognised in the year to which the allocation related, the calculations in the 2017, 2016 and 2015 columns above would be as follows:

	2017	2016	2015
Current ratio	3.37	1.22	1.34
Debt service cover ratio	N/A	N/A	36.17
Operating surplus ratio	-0.03	-0.06	0.07

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

20. TRUST FUNDS

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

	1 July 2016	Amounts Received	Amounts Paid	30 June 2017
	\$	\$	(\$)	\$
Development Bonds and Deposits	231,967	90,976	(89,475)	233,468
Developer Cash in Lieu	435,491	21,706	0	457,197
Mooring Pen Deposits	59,310	7,680	(11,150)	55,840
Other Bonds and Deposits	16,501	573	(285)	16,789
Unclaimed Monies	30,106	0	0	30,106
	<u>773,375</u>			<u>793,400</u>

21. DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Governance								
Sedan - CEO	6,768	11,818	5,050	0	12,000	12,000	0	0
EMFA - Vehicle	10,978	13,636	2,658	0	15,000	15,000	0	0
Health								
PEHO - Vehicle	5,037	9,091	4,054	0	8,000	8,000	0	0
Education and welfare								
HACC Medium Sedan	4,304	7,045	2,741	0	10,000	10,000	0	0
HACC Van	7,442	8,864	1,422	0	12,000	12,000	0	0
Community amenities								
EMRS - Vehicle	10,953	10,000	0	(953)	13,000	13,000	0	0
Recreation and culture								
Toro Ride on Mower	232	15,000	14,768	0	4,000	4,000	0	0
Stihle Blower	0	73	73	0				
Parks - Single Cab Utility	8,101	14,773	6,672	0	14,000	14,000	0	0
East Fremantle North Toilet Block - Demolished	31,510	0	0	(31,510)	0	0	0	0
East Fremantle South West Stand - Demolished	24,975	0	0	(24,975)	0	0	0	0
East Fremantle South East Toilet Block - Demolished	41,207	0	0	(41,207)	0	0	0	0
East Fremantle Glass Shelter - Demolished	4,636	0	0	(4,636)	0	0	0	0
East Fremantle Cometary Stand - Demolished	24,105	0	0	(24,105)	0	0	0	0
Transport								
Fuso Fighter Truck	38,668	38,182	0	(486)	7,000	7,000	0	0
Works - Single Cab Utility	27,539	30,384	2,845	0	5,000	5,000	0	0
Works - Single Cab Utility	7,680	10,000	2,320	0	6,000	6,000	0	0
Works - Single Cab Utility	9,455	10,909	1,454	0	5,000	5,000	0	0
	<u>263,590</u>	<u>179,775</u>	<u>44,057</u>	<u>(127,872)</u>	<u>111,000</u>	<u>111,000</u>	<u>0</u>	<u>0</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

The Town has no borrowings as at 30 June 2017

22. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2016/17

The Town did not take up any new debentures during the year ended 30 June 2017.

(c) Unspent Debentures

The Town did not have any unspent debentures as at 30 June 2017.

(d) Overdraft

The Town did not utilise any overdraft facilities during 2016/17 financial year.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

23. RATING INFORMATION - 2016/17 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental value valuations											
Residential	6.4466	2,950	90,048,400	5,805,060	20,891	86	5,826,037	5,805,000	25,000	0	5,830,000
Commercial	9.9546	124	12,286,300	1,223,052	0	0	1,223,052	1,223,000	0	0	1,223,000
Unimproved value valuations											
Sub-Total		3,074	102,334,700	7,028,112	20,891	86	7,049,089	7,028,000	25,000	0	7,053,000
Minimum payment	\$										
Gross rental value valuations											
Residential	1.035	296	4,018,000	306,360	0	0	306,360	306,000	0	0	306,000
Commercial	1.545	10	132,000	15,451	0	0	15,451	15,000	0	0	15,000
Sub-Total		306	4,150,000	321,811	0	0	321,811	321,000	0	0	321,000
Total amount raised from general rate		3,380	106,484,700	7,349,923	20,891	86	7,370,900	7,349,000	25,000	0	7,374,000
Totals							<u>7,370,900</u>				<u>7,374,000</u>
											<u>7,374,000</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

24. NET CURRENT ASSETS

Composition of net current assets

	2017	2017	2016
	(30 June 2017 Carried Forward) \$	(1 July 2016 Brought Forward) \$	(30 June 2016 Carried Forward) \$
Surplus/(Deficit) 1 July 16 brought forward	<u>1,386,955</u>	<u>504,265</u>	<u>504,265</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	1,640,581	1,125,901	1,125,901
Restricted	3,251,730	3,452,085	3,452,085
Receivables			
Rates outstanding	150,429	114,363	114,363
Sundry debtors	131,427	63,352	63,352
GST receivable	0	47,725	47,725
Accrued Income ESL	0	10,419	10,419
Less Provision for Doubtful Debts	(600)	(600)	(600)
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(195,770)	(456,800)	(456,800)
Accrued salaries and wages	(78,878)	(83,449)	(83,449)
Provisions			
Provision for annual leave	(312,823)	(263,782)	(263,782)
Provision for long service leave	(344,584)	(414,040)	(414,040)
Unadjusted net current assets	<u>4,241,512</u>	<u>3,595,174</u>	<u>3,595,174</u>
Adjustments			
Less: Reserves - restricted cash	(3,251,730)	(3,452,085)	(3,452,085)
Add Back: Staff Leave Reserve	397,173	361,176	361,176
Adjusted net current assets - surplus/(deficit)	<u>1,386,955</u>	<u>504,265</u>	<u>504,265</u>

Difference

There was no difference between the surplus/(deficit) 1 July 2016 brought forward position used in the 2017 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2016 audited financial report.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

25. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

No specified area rates were imposed by the Town during the year ended 2017.

26. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

No service charges were imposed by the Town during the year ended 2017.

27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS

No service charges were imposed by the Town during the year ended 2017.

28. INTEREST CHARGES AND INSTALMENTS - 2016/17 FINANCIAL YEAR

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %	Budgeted Revenue \$
Instalment Options					
Option One					
Single full payment	23 September 16	N/A	N/A	11.00%	36,986
Option Two					
First Instalment	23 September 16	15	5.50%	11.00%	39,502
Second Instalment	27 January 17	15	5.50%	11.00%	38,940
Option Three					
First Instalment	23 September 16	15	5.50%	11.00%	
Second Instalment	25 November 16	15	5.50%	11.00%	
Third Instalment	27 January 17	15	5.50%	11.00%	
Fourth Instalment	31 March 17	15	5.50%	11.00%	
					Revenue \$
					36,986
					27,400
					39,502
					35,000
					38,940
					35,200
					115,428
					97,600
Interest on unpaid rates					
Interest on instalment plan					
Charges on instalment plan					

**TOWN OF EAST FREMANTLE
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29. FEES & CHARGES	2017	2016
	\$	\$
Governance	14,243	1,142
General purpose funding	58,485	69,206
Law, order, public safety	29,214	28,967
Health	12,545	12,288
Education and welfare	94,695	83,758
Housing	86,034	85,760
Community amenities	164,831	199,491
Recreation and culture	298,488	318,542
Transport	379,976	326,314
Economic services	210,435	151,815
Other property and services	24,024	18,134
	<u>1,372,970</u>	<u>1,295,417</u>

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

30. GRANT REVENUE

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

By Nature or Type:	2017	2016
	\$	\$
Operating grants, subsidies and contributions		
Governance	0	50,000
General purpose funding	345,184	110,188
Education and welfare	842,378	816,031
Community amenities	150,000	0
Recreation and culture	110,277	25,867
Transport	28,880	25,208
	<u>1,476,719</u>	<u>1,027,294</u>
Non-operating grants, subsidies and contributions		
Education and welfare	0	88,140
Recreation and culture	80,000	167,500
Transport	0	98,141
	<u>80,000</u>	<u>353,781</u>
	<u>1,556,719</u>	<u>1,381,075</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>40</u>	<u>40</u>
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32. ELECTED MEMBERS REMUNERATION

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

	2017	2017	2016
	\$	Budget	\$
Meeting Fees	149,000	149,000	140,016
Mayor's allowance	15,600	15,600	14,500
Deputy Mayor's allowance	3,900	3,900	3,612
Telecommunications allowance	25,910	27,000	26,103
	<u>194,410</u>	<u>195,500</u>	<u>184,231</u>

**TOWN OF EAST FREMANTLE
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FOR THE YEAR ENDED 30TH JUNE 2017**

33. RELATED PARTY TRANSACTIONS**Key Management Personnel (KMP) Compensation Disclosure**

	2017
	\$
The total of remuneration paid to KMP of the Town during the year are as follows:	
Short-term employee benefits	754,773
Post-employment benefits	-
Other long-term benefits	-
Termination benefits	90,167
	844,940

Short-term employee benefits

These amounts include all salary, paid leave, 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 at Note 32.

Post-employment benefits

These amounts are the current-year's estimated cost of providing for the Town'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).

Related Parties**The Town'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. Entities subject to significant influence by the Town

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 Town has a one-third interest in an environmental health and building service. 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

**TOWN OF EAST FREMANTLE
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FOR THE YEAR ENDED 30TH JUNE 2017**

33. RELATED PARTY TRANSACTIONS (Continued)**Transactions with related parties**

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

The following transactions occurred with related parties:

	2017 \$
Associated companies/individuals:	
Sale of goods and services	0
Purchase of goods and services	0
Joint venture entities:	
Distributions received from joint venture entities	0
Amounts outstanding from related parties:	
Trade and other receivables	0
Loans to associated entities	0
Loans to key management personnel	0
Amounts payable to related parties:	
Trade and other payables	0
Loans from associated entities	0

Note: Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

34. MAJOR LAND TRANSACTIONS

The Town did not participate in any major land transactions during the 2016/17 financial year.

35. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

If the Town did participate in any trading undertakings or major trading undertakings during the 2016/17 financial year.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

36. FINANCIAL RISK MANAGEMENT

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

The Town 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 Town held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	4,892,311	4,577,986	4,892,311	4,577,986
Receivables	338,694	306,132	338,694	306,132
	<u>5,231,005</u>	<u>4,884,118</u>	<u>5,231,005</u>	<u>4,884,118</u>
Financial liabilities				
Payables	274,648	540,249	274,648	540,249
	<u>274,648</u>	<u>540,249</u>	<u>274,648</u>	<u>540,249</u>

Fair value is determined as follows:

- Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.
- Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial assets at fair value through profit and loss, available for sale financial assets - based on quoted market prices at the reporting date or independent valuation.

**TOWN OF EAST FREMANTLE
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36. FINANCIAL RISK MANAGEMENT (Continued)**(a) Cash and Cash Equivalents****Financial assets at fair value through profit and loss****Available-for-sale financial assets****Held-to-maturity investments**

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

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

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

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

The Town manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulation 19C*. Council also seeks advice from independent advisers (where considered necessary) before placing any cash and investments.

	2017	2016
	\$	\$
Impact of a 10% ⁽¹⁾ movement in price of investments		
- Equity	12,231	15,280
- Statement of Comprehensive Income	12,231	15,280
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	1,223	1,530
- Statement of Comprehensive Income	1,223	1,530

Notes:

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

The Town's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Town 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 Town to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. The Town 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 Town makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

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

	2017	2016
Percentage of rates and annual charges		
- Current	100%	100%
- Overdue	0%	0%
Percentage of other receivables		
- Current	96.83%	96.00%
- Overdue	3.17%	4%

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

36. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Payables
Borrowings**

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

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

2017

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	274,648	0	0	274,648	274,648
Borrowings	0	0	0	0	0
	<u>274,648</u>	<u>0</u>	<u>0</u>	<u>274,648</u>	<u>274,648</u>

2016

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	540,249	0	0	540,249	540,249
Borrowings	0	0	0	0	0
	<u>540,249</u>	<u>0</u>	<u>0</u>	<u>540,249</u>	<u>540,249</u>

**TOWN OF EAST FREMANTLE
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2017**

RATIO INFORMATION

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report.

	2017	2016	2015
Asset consumption ratio	0.93	0.75	0.79
Asset renewal funding ratio	1.98	1.44	1.41

The above ratios are calculated as follows:

Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$



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Liability limited by a scheme approved under Professional Standards Legislation

17 November 2017

Mr Gary Tuffin
Town of East Fremantle
PO Box 1097
FREMANTLE WA 6959

Dear Gary,

DOCUMENTS FOR YOUR ATTENTION

We have now completed our audit of Town of East Fremantle for the year ended 30 June 2017 and enclose the following:

1. Two (2) signed audit reports;
2. Management Letter addressed to the Mayor;
3. Management Letter addressed to the CEO; and
4. Our final fee for the audits.

We take this opportunity to thank your staff for the assistance provided to us during the course of the audit.

Please do not hesitate to call should you like to discuss any aspect of the audit.

Yours Sincerely

ANDERSON MUNRO & WYLIE

BILLY-JOE THOMAS
Director



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17 November 2017

Mayor Jim O'Neill
 Town of East Fremantle
 P.O.Box 1097
 FREMANTLE WA 6959

Dear Mayor,

FINAL AUDIT MANAGEMENT LETTER

We have completed our final audit for the year ended 30 June 2017 and report on matters which came to our notice during the audit.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of significant accounting estimates. While our procedures are designed to identify any material weaknesses and detect misstatements from fraud and error, there is an unavoidable risk that even some material misstatements may remain undiscovered. This unavoidable risk is due to the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system.

We are pleased to advise that we have no matters which we believe needs to be brought to your attention.

Audit adjustments and Differences

Differences identified during the audit (whether adjusted or not) must be communicated to management and those charged with governance of an entity. We therefore include the following items which were differences identified during the audit but not adjusted.

No.	Account	Dr	Cr
1	Salaries	\$7,112.00	
	Superannuation expense	\$10,167.00	
	Accrued Expenses		\$17,279.00
	<i>(Being shortfall of accrued wages and missed accrued superannuation)</i>		

We take this opportunity to thank Les David for the assistance provided to us during the course of the audit.

Please do not hesitate to call should you like to discuss any aspect of the audit

Yours sincerely
ANDERSON MUNRO & WYLLIE

BILLY-JOE THOMAS
 Director



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17 November 2017

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Yours sincerely
ANDERSON MUNRO & WYLLIE

BILLY-JOE THOMAS
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INDEPENDENT AUDIT REPORT TO THE ELECTORS OF THE TOWN OF EAST FREMANTLE

Opinion

We have audited the financial report of Town of East Fremantle for the year ended 30 June 2017. The financial report comprises the Statement by Chief Executive Officer, Statements of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial report of the Town of East Fremantle is in accordance with the requirements of the *Local Government Act 1995*, including:

- a) giving a true and fair view of the Town of East Fremantle's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards to the extent described in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Town of East Fremantle in accordance with auditor independence requirements of the *Local Government Act 1995* and the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Statutory Compliance

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

- a) We did not during the course of the audit, become aware of any other instances where the Council did not comply with the requirements of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996.
- b) There were no material or significant adverse trends in financial position or financial management practices revealed during the course of our audit.
- c) We have obtained all necessary information and explanations in relation to our audit.
- d) Our audit procedures were all satisfactorily completed.
- e) In relation to the Supplementary Ratio Information presented at page 56 of this report, we have reviewed the calculations as presented and in our opinion these are:
 - i. Based on verifiable information; and
 - ii. Reasonable assumptions.



Information Other than the Financial Report and Auditor's Report Thereon

Those charged with governance are responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Council, and Those Charged with Governance for the Financial Report

The Council is responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Local Government Act 1995 and Regulations*, and is appropriate to meet the needs of the electors. Council's responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, Council is responsible for assessing the Town of East Fremantle'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 Council either intend to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town of East Fremantle's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the 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 our 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 this financial report.

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

- Identify and assess the risks of material misstatement of the 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 our 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Council.
- Conclude on the appropriateness of the Council'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 Town of East Fremantle's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town of East Fremantle's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Dated the 17th day of November 2017 in Perth, Western Australia

BILLY-JOE THOMAS
Director

ANDERSON MUNRO & WYLLIE
Chartered Accountants



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Basis for Opinion

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Statutory Compliance

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Council.
- Conclude on the appropriateness of the Council'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 Town of East Fremantle's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town of East Fremantle's to cease to continue as a going concern.

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

Dated the 17th day of November 2017 in Perth, Western Australia

BILLY-JOE THOMAS
Director

ANDERSON MUNRO & WYLLIE
Chartered Accountants

9.2 Financial Management Review – Inadequate Control Update

<u>Item</u>	<u>Update</u>
<u>Bank Reconciliations</u> – to be evidenced as reviewed and have a copy of the bank statements.	This has been implemented July 2017.
<u>Trust Fund Reconciliations</u> – to be reconciled to the last calendar day of each month.	This has been implemented July 2017.
<u>Payments / Creditors</u> – GST treatment needs review when posting transactions in order to correctly records GST and correctly submit the BAS.	This is ongoing. Has been reviewed with further clarification/training provided to staff involved.
<u>Long outstanding purchase orders</u> – Recommended to implement procedures to ensure completed orders are cleared from the creditors listing once the creditor has been paid.	Processes have been developed. Month end process has been modified to include review of all outstanding purchase orders in order to identify and clear completed orders.
<u>Credit Card Procedure and Use</u> – recommend policy be reviewed in order to effectively detect any purchases that include elements which are private.	Credit Card policy is earmarked for review in conjunction with all other finance related policies and procedures.
<u>Payroll</u> – it was noted that there are a number of staff with large accrued leave balances.	This is ongoing. A strategy has been commenced to address the staff with large leave balances. The CEO has provided verbal guidance that leave balances are to be maintained no more than 8 weeks of accrued leave (in alignment with the Local Government Industry Award 2010) unless prior authorisation is permitted.
<u>Minutes of Meetings</u> – ensuring that the signed as confirmed copy of Council minutes be made available on-line on the Town’s website once signed and confirmed.	This has been rectified and is now on the website.
<u>Financial Reports</u> – financial ratios are below basic standard.	This is an ongoing issue that will needs addressing. The Town is undergoing a review of its Asset Management and Long term Financial Planning with sustainability being the key focus.
<u>Record keeping and storage of documents and data</u> – that a Disaster Recovery and Business Continuity Plan and necessary policies be developed.	These are currently being worked on and should be completed in the early parts of the new year.
<u>Audit Committee</u> – recommend that the Audit Committee implement controls in order to manage each risk identified as having inadequate controls.	Controls were set at the previous meeting whereby an update is provided on the progress of addressing the inadequate controls at each Audit Committee meeting.

10. MATTERS BEHIND CLOSED DOORS

11. CLOSURE OF MEETING