

TOWN OF EAST FREMANTLE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

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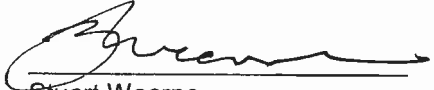
TOWN OF EAST FREMANTLE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Town of East Fremantle being the annual financial report and other information for the financial year ended 30th June 2009 are in my opinion properly drawn up to present fairly the financial position of the Town of East Fremantle at 30th June 2009 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 on the 7th day of October 2009.


Stuart Wearne
Chief Executive Officer

**TOWN OF EAST FREMANTLE
INCOME STATEMENT
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2009**

	NOTE	2009 \$	2009 Budget \$	2008 \$
REVENUES FROM ORDINARY ACTIVITIES				
Rates	21	4,538,173	4,539,468	4,116,936
Operating Grants, Subsidies and Contributions	27	818,260	860,388	753,484
Fees and Charges	26	739,863	942,207	1,135,022
Interest Earnings	2(a)	290,085	280,100	301,841
Other Revenue		<u>438,426</u>	<u>134,830</u>	<u>205,141</u>
		6,824,807	6,756,993	6,512,424
EXPENSES FROM ORDINARY ACTIVITIES				
Employee Costs		(1,662,587)	(2,030,872)	(2,166,420)
Materials and Contracts		(3,267,260)	(3,240,619)	(2,298,888)
Utility Charges		(254,042)	(233,706)	(244,173)
Depreciation on Non-Current Assets	2(a)	(665,712)	(673,073)	(650,120)
Interest Expenses	2(a)	(53,713)	(54,269)	(62,189)
Insurance Expenses		(175,908)	(192,489)	(168,619)
Other Expenditure		<u>(12,363)</u>	<u>(99,400)</u>	<u>(79,341)</u>
		(6,091,585)	(6,524,428)	(5,669,750)
		733,222	232,565	842,674
Non-Operating Grants, Subsidies and Contributions	27	148,455	346,662	161,968
Profit on Asset Disposals	19	35,736	26,800	26,634
Loss on Asset Disposal	19	<u>(4,612)</u>	<u>(1,800)</u>	<u>(13,010)</u>
NET RESULT		<u>912,801</u>	<u>604,227</u>	<u>1,018,266</u>

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

**TOWN OF EAST FREMANTLE
BALANCE SHEET
AS AT 30TH JUNE 2009**

	NOTE	2009 \$	2008 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	4,009,989	3,394,478
Trade and Other Receivables	4	108,666	98,916
TOTAL CURRENT ASSETS		<u>4,118,655</u>	<u>3,493,394</u>
NON-CURRENT ASSETS			
Other Receivables	4	100,157	106,852
Property, Plant and Equipment	5	7,702,188	7,919,277
Infrastructure	6	9,855,605	9,336,654
TOTAL NON-CURRENT ASSETS		<u>17,657,950</u>	<u>17,362,783</u>
TOTAL ASSETS		<u>21,776,605</u>	<u>20,856,177</u>
CURRENT LIABILITIES			
Trade and Other Payables	7	1,397,946	1,338,243
Current Portion of Long Term Borrowing:	8	126,051	137,891
Provisions	9	421,143	334,414
TOTAL CURRENT LIABILITIES		<u>1,945,140</u>	<u>1,810,548</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	8	605,226	731,277
Provisions	9	16,472	17,386
TOTAL NON-CURRENT LIABILITIES		<u>621,698</u>	<u>748,663</u>
TOTAL LIABILITIES		<u>2,566,838</u>	<u>2,559,211</u>
NET ASSETS		<u>19,209,767</u>	<u>18,296,966</u>
EQUITY			
Retained Surplus		17,592,156	17,040,445
Reserves - Cash Backed	10	1,617,611	1,256,521
TOTAL EQUITY		<u>19,209,767</u>	<u>18,296,966</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 2009**

	NOTE	2009 \$	2008 \$
RETAINED SURPLUS			
Balance as at 1 July 2008		17,040,445	17,040,445
Net Result		912,801	1,018,266
Transfer from/(to) Reserves		<u>(361,090)</u>	<u>(1,018,266)</u>
Balance as at 30 June 2009		<u>17,592,156</u>	<u>17,040,445</u>
RESERVES - CASH BACKED			
Balance as at 1 July 2008		1,256,521	238,255
Amount Transferred (to)/from Retained Surplus		<u>361,090</u>	<u>1,018,266</u>
Balance as at 30 June 2009	10	<u>1,617,611</u>	<u>1,256,521</u>
TOTAL EQUITY		<u><u>19,209,767</u></u>	<u><u>18,296,966</u></u>

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

**TOWN OF EAST FREMANTLE
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2009**

	NOTE	2009 \$	2009 Budget \$	2008 \$
Cash Flows From Operating Activities				
Receipts				
Rates		4,537,700	4,539,469	4,150,776
Operating Grants, Subsidies and Contributions		818,260	860,387	785,562
Fees and Charges		849,214	942,207	1,269,041
Interest Earnings		290,085	252,000	301,841
Goods and Services Tax		405,578	-	333,329
Other Revenue		438,426	162,930	173,063
		<u>7,339,263</u>	<u>6,756,993</u>	<u>7,013,612</u>
Payments				
Employee Costs		(1,577,555)	(2,030,872)	(2,080,068)
Materials and Contracts		(3,611,240)	(3,240,619)	(2,583,632)
Utility Charges		(254,042)	(233,706)	(244,173)
Insurance Expenses		(175,908)	(192,489)	(168,619)
Interest expenses		(53,713)	(54,269)	(62,189)
Goods and Services Tax		(116,793)	-	(122,392)
Other Expenditure		(12,363)	(99,400)	(79,341)
		<u>(5,801,614)</u>	<u>(5,851,355)</u>	<u>(5,340,414)</u>
Net Cash Provided By (Used In) Operating Activities	12(b)	<u>1,537,649</u>	<u>905,638</u>	<u>1,673,198</u>
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment		(240,649)	(521,689)	(232,064)
Payments for Construction of Infrastructure		(775,273)	(1,463,156)	(394,974)
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets		148,455	346,662	161,968
Proceeds from Sale of Plant & Equipment		79,473	69,000	71,340
Net Cash Provided By (Used In) Investing Activities		<u>(787,994)</u>	<u>(1,569,183)</u>	<u>(393,730)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(137,891)	(137,891)	(134,874)
Proceeds from Self Supporting Loans		3,747	5,141	8,942
Net Cash Provided By (Used In) Financing Activities		<u>(134,144)</u>	<u>(132,750)</u>	<u>(125,932)</u>
Net Increase (Decrease) in Cash Held		615,511	(796,295)	1,153,536
Cash at Beginning of Year		3,394,478	3,384,327	2,240,942
Cash and Cash Equivalents at the End of the Year	12(a)	<u><u>4,009,989</u></u>	<u><u>2,588,032</u></u>	<u><u>3,394,478</u></u>

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

**TOWN OF EAST FREMANTLE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2009**

	NOTE	2009 \$	2008 Budget \$
REVENUES			
Governance		25,593	17,200
General Purpose Funding		526,451	516,200
Law, Order, Public Safety		34,353	20,400
Health		2,529	2,240
Education and Welfare		595,779	582,146
Housing		51,971	55,380
Community Amenities		168,442	162,950
Recreation and Culture		381,592	276,594
Transport		488,862	662,462
Economic Services		135,900	150,760
Other Property and Services		59,353	144,654
		<u>2,470,825</u>	<u>2,590,986</u>
EXPENSES			
Governance		(555,655)	(504,297)
General Purpose Funding		(206,320)	(205,059)
Law, Order, Public Safety		(120,765)	(135,961)
Health		(76,050)	(103,514)
Education and Welfare		(667,968)	(655,701)
Housing		(34,243)	(35,085)
Community Amenities		(1,405,622)	(1,634,017)
Recreation & Culture		(1,152,197)	(1,309,079)
Transport		(1,645,026)	(1,583,838)
Economic Services		(173,694)	(175,914)
Other Property and Services		(58,656)	(183,763)
		<u>(6,096,196)</u>	<u>(6,526,228)</u>
Adjustments for Cash Budget Requirements:			
Non-Cash Expenditure and Revenue			
(Profit)/Loss on Asset Disposals		(31,124)	(25,000)
Movement in Accrued Interest		(556)	-
Movement in Deferred Pensioner Rates (Non-Current)		2,715	-
Movement in Accrued Salaries and Wages		(783)	-
Movement in Employee Benefit Provisions		85,812	-
Depreciation and Amortisation on Assets		665,712	673,073
Capital Expenditure and Revenue			
Purchase Land and Buildings		(46,521)	(262,989)
Purchase Infrastructure Assets - Roads		(775,272)	(1,463,156)
Purchase Plant and Equipment		(173,528)	(197,200)
Purchase Furniture and Equipment		(20,600)	(61,500)
Proceeds from Disposal of Assets		79,473	69,000
Repayment of Debentures		(137,891)	(137,891)
Self-Supporting Loan Principal Income		3,747	5,141
Transfers to Reserves (Restricted Assets)		(361,090)	(191,000)
Transfers from Reserves (Restricted Assets)			86,000
ADD Estimated Surplus/(Deficit) July 1 B/Fwd		939,770	904,768
LESS Estimated Surplus/(Deficit) June 30 C/Fwd		1,142,666	3,473
Amount Required to be Raised from Rates	21	<u>(4,538,173)</u>	<u>(4,539,469)</u>

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

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), other mandatory professional reporting requirements and the Local Government Act 1995 (as amended) and accompanying regulations (as amended).

The report has also been prepared on the accrual basis under the convention of historical cost accounting as modified by the accounting treatment relating to the revaluation of financial assets and liabilities at fair value through profit and loss and certain classes of non-current assets.

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 this experience and other factors combine to form the basis of making judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

(b) The Local Government Reporting Entity

All Funds through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

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

All monies held in the Trust Fund are included in the financial statements, but a separate statement of those monies appears at Note 18 to this financial report.

(c) Goods and Services Tax

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the Balance Sheet are stated inclusive of applicable GST.

(d) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included as short-term borrowings in current liabilities on the balance sheet.

(e) Trade and Other Receivables

Trade receivables, which generally have 30 - 90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for uncollectible amounts.

Collectibility of trade 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.

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories

General

Inventories are valued 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. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

Land Held for Resale

Land purchased for development and/or resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and interest incurred on the financing of that land during its development. Interest and holding charges incurred after development is complete are recognised as expenses.

Revenue arising from the sale of property is recognised in the Income Statement as at the time of signing a binding contract of sale.

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

(g) Fixed Assets

Initial Recognition

All assets are initially recognised at cost. 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 includes the cost of all materials, direct labour and variable and fixed overheads.

Revaluation

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on a basis to reflect the already consumed or expired future economic benefits.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ significantly from that determined using fair value at reporting date.

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 AASB1051 - Land Under Roads and the fact Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

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

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

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Depreciation of Non-Current Assets

All non-current assets having a limited useful life are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. Major depreciation periods are:

Buildings	40 years
Furniture and Equipment	10 years
Plant and Equipment	8 years
Infrastrucutre	Various
Mobile Equipment	5 years
Electronic Equipment	5 years
Tools	5 years

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investments and Other Financial Assets

Classification

Council classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. 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. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investments and Other Financial Assets (Continued)

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when Council's right to receive payments is established. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(j) Estimation of Fair Value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment

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

Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with AASB 136 '*Impairment of Assets*' and appropriate adjustments made.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

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.

(l) Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Municipality prior to the end of the financial year that are unpaid and arise when the Municipality becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Employee Benefits

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries and are calculated as follows:

(i) Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)

The provision for employees' benefits to wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the municipality has a present obligation to pay resulting from employees services provided to balance date. The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

(ii) Long Service Leave (Long-term Benefits)

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows. Where Council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

(n) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Provisions

Provisions are recognised when: The council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(p) 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 company, are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under 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.

(q) Interest in Southern Metropolitan Regional Scheme

Information about this interest is included in Note 15.

(r) 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(d). 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 operation for the current reporting period.

(s) Superannuation

The Council contributes to the Local Government Superannuation Scheme and the Occupational Superannuation Fund. Both funds are defined contribution schemes.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Current and Non-Current Classification

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

(u) Rounding Off Figures

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

(v) Comparative Figures

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

(w) 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 2009**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2009

Council's assessment of these new standards and interpretations is set out below:

Title and Topic	Issued	Applicable (*)	Impact
(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8	February 2007	1 January 2009	Nil – The Standard is not applicable to not-for-profit entities.
(ii) Revised AASB 123 Borrowing Costs (includes AASB 2009-1) and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	June 2007 and April 2009	1 January 2009	Nil – There have been two revisions to the Standard. The first removed the option to expense all borrowing costs and required the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The second (AASB2009-1) reinstated the choice to either expense or capitalise in the case of not-for-profit entities. There will be no impact on the financial report of the Council as it already capitalises borrowing costs relating to qualifying assets and will continue to do so.
(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101	September 2007 and December 2007	1 January 2009	Nil – The revised Standard requires the presentation of a Statement of comprehensive income and makes changes to the Statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If Council has made a prior period adjustment or has reclassified items in the financial statements, it is likely it will need to disclose a third balance sheet (Statement of Financial Position), being as at the beginning of the comparative period.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations (Continued)

Title and Topic	Issued	Applicable (*)	Impact
(iv) AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	July 2008	1 January 2009	Nil – The revisions are part of the AASBs annual improvement project to help ensure consistency with presentation, recognition and measurement criteria of IFRSs.
AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	July 2008	1 July 2009	The revisions embodied in these standards relate largely to terminology or editorial comments and will have a minimal effect on the accounting practices of the Council.
(v) AASB 2008-11 Amendments to Australian Accounting Standard – Business Considerations Among Not-for-Profit Entities	November 2008	1 July 2009	It is not anticipated the more significant changes will have any effect on the financial report as the topics are not relevant to the operations of the Council. Nil – Whilst this standard has the effect of applying AASB 3 Business Combinations to the Not-for-Profit sector, specific provisions are provided in respect of local government. These specific provisions are very similar to the previous requirements of AAS 27.
(vi) AASB 2008-1 Amendments to Australian Accounting Standard – Share-Based Payments: Vesting Conditions and Cancellations	February 2008	1 January 2009	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2008-2 Amendments to Australian Accounting Standards Puttable Financial Instruments and Obligations Arising on Liquidation	March 2008	1 January 2009	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations (Continued)

Title and Topic (vi) (Continued)	Issued	Applicable (*)	Impact
AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	March 2008	1 January 2009	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2007-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	July 2008	1 January 2009	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedged Items	August 2008	1 July 2009	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101	September 2008	1 January 2009	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-Cash Assets to Owners	December 2008	1 July 2009	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
Interpretation 1 – Changes in Existing, Decommissioning, Restoration and Similar Liabilities	June 2008	1 January 2009	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations (Continued)

Title and Topic (vi) (Continued)	Issued	Applicable (*)	Impact
Interpretation 12 – Service Concession Arrangements	June 2007	1 January 2009	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
Interpretation 15 – Agreements for the Construction of Real Estate	August 2008	1 January 2009	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
Interpretation 16 – Hedges of a Net Investment in a Foreign Operation	August 2008	1 October 2008	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
Interpretation 17 – Distributions of Non-Cash Assets to Owners	December 2008	1 July 2009	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
Interpretation 18 – Transfers of Assets from Customers	March 2009	Ending 1 July 2009	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.

Notes:

(*) - 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 2009**

2. REVENUES AND EXPENSES

2009 **2008**
\$ \$

(a) Result from Ordinary Activities

The Result from Ordinary Activities includes:

(i) Charging as an Expense:

Auditors Remuneration

- Audit	18,755	11,830
- Other Services	5,130	0

Depreciation

Buildings	275,105	269,430
Furniture and Equipment	22,171	21,301
Plant and Equipment	112,114	111,880
Infrastructure Assets	256,322	247,509
	<u>665,712</u>	<u>650,120</u>

Interest Expenses

Debentures (<i>refer Note 20(a)</i>)	53,713	62,189
	<u>53,713</u>	<u>62,189</u>

(ii) Crediting as Revenue:

2009 **2009** **2008**
\$ **Budget** \$
\$

Interest Earnings

Investments		
- Reserve Funds	70,090	36,000
- Other Funds	189,693	216,000
Other Interest Revenue (<i>refer note 25</i>)	30,302	28,100
	<u>290,085</u>	<u>280,100</u>
	<u>290,085</u>	<u>280,100</u>
		<u>301,841</u>

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

2. REVENUES AND EXPENSES (Continued)

(b) Income Statement by Program

	NOTE	2009 \$	2009 Budget \$	2008 \$
REVENUES FROM ORDINARY ACTIVITIES 2(a)				
Governance		25,593	17,200	52,281
General Purpose Funding		5,064,624	5,055,669	4,602,653
Law, Order, Public Safety		34,353	20,400	27,637
Health		2,529	2,240	17,413
Education and Welfare		595,779	582,146	582,217
Housing		51,971	55,380	50,454
Community Amenities		168,442	162,950	293,751
Recreation and Culture		381,592	276,594	188,566
Transport		488,862	661,662	484,223
Economic Services		135,900	150,760	148,462
Other Property and Services		59,353	144,654	91,401
		<u>7,008,998</u>	<u>7,129,655</u>	<u>6,539,058</u>
EXPENSES FROM ORDINARY ACTIVITIES EXCLUDING BORROWING COSTS EXPENSE 2(a)				
Governance		(545,375)	(504,297)	(488,348)
General Purpose Funding		(206,320)	(194,769)	(202,176)
Law, Order, Public Safety		(120,765)	(135,961)	(106,026)
Health		(76,050)	(103,514)	(87,710)
Education and Welfare		(667,968)	(655,701)	(621,728)
Housing		(34,243)	(35,085)	(33,908)
Community Amenities		(1,402,206)	(1,630,486)	(1,232,399)
Recreation & Culture		(1,139,487)	(1,296,274)	(1,067,798)
Transport		(1,617,720)	(1,555,395)	(1,284,698)
Economic Services		(173,694)	(175,914)	(154,501)
Other Property and Services		(58,656)	(183,763)	(179,311)
		<u>(6,042,484)</u>	<u>(6,471,159)</u>	<u>(5,458,603)</u>
BORROWING COSTS EXPENSE 2 (a)				
Governance		(10,280)	(10,290)	(11,433)
Community Amenities		(3,416)	(3,531)	(4,969)
Recreation & Culture		(12,710)	(12,805)	(14,561)
Transport		(27,307)	(27,643)	(31,226)
	2 (a)	<u>(53,713)</u>	<u>(54,269)</u>	<u>(62,189)</u>
NET RESULT		<u>912,801</u>	<u>604,227</u>	<u>1,018,266</u>

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

2. REVENUES AND EXPENSES (Continued)

(c) 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 and for each of its broad activities/programs.

Council operations as disclosed in this budget encompass the following service orientated activities/programs:

GOVERNANCE

Objective: To provide sufficient resources for administration and operation of Council.

Activities: Services to elected members of Council and ratepayers regarding services provided.

GENERAL PURPOSE FUNDING

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

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

LAW, ORDER, PUBLIC SAFETY

Objective: To provide Animal (Dog) Control services.

Activities: Supervision, Enforcement of Dog Act.

HEALTH

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

Activities: Health Inspection Services regarding food quality, pest control etc and Child Health Clinics.

EDUCATION AND WELFARE

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

HOUSING

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

Activities: Provision and maintenance of 5 rental properties

COMMUNITY AMENITIES

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

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

RECREATION AND CULTURE

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

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

TRANSPORT

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

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

2. REVENUES AND EXPENSES (Continued)

(c) Statement of Objective (Continued)

ECONOMIC SERVICES

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

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

OTHER PROPERTY & SERVICES

Objective: To provide other services etc, not elsewhere included.

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

	2009	2008
	\$	\$
(d) Conditions Over Contributions		
Grants recognised as revenues in a previous reporting period which were not expended at the close of the previous reporting period (ie opening balances).		
Federal Road Grant (Austlink)	4,284	4,284
Office Crime Prevention Neighbourhood Watch	11,200	-
	15,484	4,284
Add:		
New grants which were recognised as revenues during the reporting period and which had not yet been fully expended by the contributor.		
Office of Crime Prevention Grafitti	17,000	-
Office Crime Prevention Neighbourhood Watch	-	11,200
Federal Funding Infrastructure Improvements	116,900	-
Main Roads Blackspot Preston Rd	19,455	-
Less:		
Grants which were recognised as revenues in a previous reporting period and which were expended in the current reporting period in the manner specified by the contributor.		
Federal Road Grant (Austlink)	(4,284)	-
Office Crime Prevention Neighbourhood Watch	(6,852)	-
Closing balances of unexpended grants	157,703	15,484
Comprises:		
Federal Road Grant (Austlink)	-	4,284
Office Crime Prevention (Neighbourhood Watch)	4,348	11,200
Office of Crime Prevention (Grafitti)	17,000	-
Federal Funding Infrastructure Improvements	116,900	-
Main Roads Blackspot Preston Rd	19,455	-
	157,703	15,484

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

	2009 \$	2008 \$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	1,239,132	1,191,932
Restricted	<u>2,770,857</u>	<u>2,202,546</u>
	<u><u>4,009,989</u></u>	<u><u>3,394,478</u></u>

The following restrictions have been imposed by regulations or other externally imposed requirements:

Mooring Pens	71,200	59,200
Bonds	54,591	81,144
Footpaths	378,988	342,108
Staff Leave Reserve	278,783	129,710
Plant Replacement Reserve	136,394	52,712
Civic Building Reserve	470,509	397,331
HACC Reserve	24,512	23,466
Legal Funds Reserve	261,140	250,000
Strategic Plan Reserve	421,273	403,302
Office Reserve	25,000	-
Unspent Grants	157,703	15,484
Nomination Deposits Trust	50	47
Tramway Trust	164,201	155,717
Trust Deposits (Left Bank & Garfield)	<u>326,513</u>	<u>292,325</u>
	<u><u>2,770,857</u></u>	<u><u>2,202,546</u></u>

4. TRADE AND OTHER RECEIVABLES

Current

Rates Outstanding	27,995	24,807
Loan Clubs & Organisations	3,980	3,747
Accrued Income ESL	8,711	9,824
Sundry Debtors	68,580	61,138
Less: Provision for Doubtful Debts	<u>(600)</u>	<u>(600)</u>
	<u><u>108,666</u></u>	<u><u>98,916</u></u>

Non-Current

Rates Outstanding - Pensioners	84,176	86,891
Loans - Clubs/Institutions	<u>15,981</u>	<u>19,961</u>
	<u><u>100,157</u></u>	<u><u>106,852</u></u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

	2009	2008
	\$	\$
5. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings - Cost	11,086,431	11,039,909
Less Accumulated Depreciation	<u>(3,874,425)</u>	<u>(3,599,320)</u>
	7,212,006	7,440,589
Furniture and Equipment - Cost	397,671	383,822
Less Accumulated Depreciation	<u>(324,338)</u>	<u>(308,918)</u>
	73,333	74,904
Plant and Equipment - Cost	1,545,154	1,556,772
Less Accumulated Depreciation	<u>(1,128,305)</u>	<u>(1,152,988)</u>
	416,849	403,784
	<u>7,702,188</u>	<u>7,919,277</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

The following represents the movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land & Buildings \$	Furniture & Equipment \$	Plant & Equipment \$	Total \$
Balance as at 1 July 2008	7,440,589	74,903	403,784	7,919,276
Additions	46,521	20,600	173,528	240,649
(Disposals)	-	-	(48,349)	(48,349)
Depreciation (Expense)	(275,104)	(22,170)	(112,114)	(409,388)
Balance as at 30 June 2009	<u>7,212,006</u>	<u>73,333</u>	<u>416,849</u>	<u>7,702,188</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

	2009 \$	2008 \$
6. INFRASTRUCTURE		
Roads at Cost	6,870,244	6,623,454
Less Accumulated Depreciation	<u>(1,313,075)</u>	<u>(1,174,375)</u>
	5,557,169	5,449,079
Reserves at Cost	785,189	785,189
Less Accumulated Depreciation	<u>(109,049)</u>	<u>(90,027)</u>
	676,140	695,162
Rivers at Cost	181,011	181,011
Less Accumulated Depreciation	<u>(51,551)</u>	<u>(47,232)</u>
	129,460	133,779
Paths at Cost	1,671,501	1,671,501
Less Accumulated Depreciation	<u>(299,646)</u>	<u>(266,182)</u>
	1,371,855	1,405,319
Signs at Cost	85,453	85,453
Less Accumulated Depreciation	<u>(74,842)</u>	<u>(68,962)</u>
	10,611	16,491
Irrigation at Cost	359,564	359,564
Less Accumulated Depreciation	<u>(127,223)</u>	<u>(111,599)</u>
	232,341	247,965
Parks at Cost	833,124	526,453
Less Accumulated Depreciation	<u>(152,165)</u>	<u>(129,787)</u>
	680,959	396,666
Car Parks at Cost	388,145	387,045
Less Accumulated Depreciation	<u>(92,999)</u>	<u>(85,254)</u>
	295,146	301,791
Drains at Cost	988,164	767,453
Less Accumulated Depreciation	<u>(86,240)</u>	<u>(77,051)</u>
	901,924	690,402
	<u><u>9,855,605</u></u>	<u><u>9,336,654</u></u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

6. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

The following represents the movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

	Streets & Roads \$	Footpaths \$	Drainage \$	Reserves Irrigation Parks \$	Rivers \$	Car Parks Signs \$	Total \$
Balance as at 1 July 2008	5,449,079	1,405,319	690,400	1,339,794	133,779	318,283	9,336,654
Additions	246,790	-	220,711	306,671	-	1,100	775,272
Depreciation (Expense)	(138,700)	(33,464)	(9,188)	(57,025)	(4,319)	(13,625)	(256,321)
Balance as at 30 June 2009	<u>5,557,169</u>	<u>1,371,855</u>	<u>901,923</u>	<u>1,589,440</u>	<u>129,460</u>	<u>305,758</u>	<u>9,855,605</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

	2009	2008
	\$	\$
7. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	315,565	343,520
Accruals	45,823	22,385
Accrued Salaries and Wages	41,014	41,797
Bonds & Deposits	504,780	482,452
Transport Tramway Trust	164,251	155,764
Trust Fund	326,513	292,325
	<u>1,397,946</u>	<u>1,338,243</u>
8. LONG-TERM BORROWINGS		
Current		
Debentures	126,051	137,891
	<u>126,051</u>	<u>137,891</u>
Non-Current		
Debentures	605,226	731,277
	<u>605,226</u>	<u>731,277</u>
Additional detail on borrowings is provided in Note 20.		
9. PROVISIONS		
Current		
Provision for Annual Leave	224,083	178,713
Provision for Long Service Leave	197,060	155,701
	<u>421,143</u>	<u>334,414</u>
Non-Current		
Provision for Long Service Leave	16,472	17,386
	<u>16,472</u>	<u>17,386</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

	2009 \$	2009 Budget \$	2008 \$
10. RESERVES - CASH BACKED			
(a) Staff Leave Reserve			
Opening Balance	129,709	200,474	123,244
Amount Set Aside / Transfer to Reserve	149,074	36,000	6,465
Amount Used / Transfer from Reserve	-	-	-
	<u>278,783</u>	<u>236,474</u>	<u>129,709</u>
(b) Plant Reserve			
Opening Balance	52,712	52,712	22,530
Amount Set Aside / Transfer to Reserve	83,682	80,000	111,182
Amount Used / Transfer from Reserve	-	(86,000)	(81,000)
	<u>136,394</u>	<u>46,712</u>	<u>52,712</u>
(c) Civic Building Reserve			
Opening Balance	397,332	405,088	92,481
Amount Set Aside / Transfer to Reserve	73,177	50,000	304,851
Amount Used / Transfer from Reserve	-	-	-
	<u>470,509</u>	<u>455,088</u>	<u>397,332</u>
(d) Legal Costs Reserve			
Opening Balance	250,000	250,000	-
Amount Set Aside / Transfer to Reserve	11,140	-	250,000
Amount Used / Transfer from Reserve	-	-	-
	<u>261,140</u>	<u>250,000</u>	<u>250,000</u>
(e) HACC Reserve			
Opening Balance	23,466	51,000	-
Amount Set Aside / Transfer to Reserve	1,046	-	23,466
Amount Used / Transfer from Reserve	-	-	-
	<u>24,512</u>	<u>51,000</u>	<u>23,466</u>
(f) Strategic Plan Reserve			
Opening Balance	403,302	421,000	-
Amount Set Aside / Transfer to Reserve	17,971	-	403,302
Amount Used / Transfer from Reserve	-	-	-
	<u>421,273</u>	<u>421,000</u>	<u>403,302</u>
(g) Office Reserve			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	25,000	25,000	-
Amount Used / Transfer from Reserve	-	-	-
	<u>25,000</u>	<u>25,000</u>	<u>-</u>
TOTAL CASH BACKED RESERVES	<u>1,617,611</u>	<u>1,485,274</u>	<u>1,256,521</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

All of the cash backed reserve accounts are supported by money held in financial institutions and match the amounts shown as restricted cash in Note 3.

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

Leave Reserve

- to be used to fund annual and long service leave requirements

Plant Reserve

- to be used for the purchase of major plant

Civic Building Reserve

- to be used for the refurbishment/construction of council owned buildings

Legal Cost Reserve

- to be used to fund any future legal costs.

HACC Reserve

- to be used for HACC leave and other capital replacement funds.

Strategic Plan Reserve

- to fund initiatives identified in the Strategic Plan

Office Reserve

- to be used to fund upgrade of IT equipment

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

The Civic Building Reserve is expected to be utilised in 2009/10.

11. RESERVES - ASSET REVALUATION

No asset revaluation has been undertaken up to 30 June 2009.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

12. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash

For the purposes of the cash flow statement, cash includes cash on hand and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the balance sheet as follows:

	2009	2009	2008
	\$	Budget	\$
		\$	
Cash and Cash Equivalents	<u>4,009,989</u>	<u>2,588,032</u>	<u>3,394,478</u>

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

Net Result	<u>912,801</u>	<u>604,227</u>	<u>1,018,266</u>
Depreciation	665,712	673,073	650,120
(Profit)/Loss on Sale of Asset	(31,124)	(25,000)	(13,622)
(Increase)/Decrease in Receivables	(6,802)	-	45,468
Increase/(Decrease) in Payables	59,703	-	44,668
Increase/(Decrease) in Employee Provisions	85,814	-	90,266
Grants/Contributions for the Development of Assets	<u>(148,455)</u>	<u>(346,662)</u>	<u>(161,968)</u>
Net Cash from Operating Activities	<u><u>1,537,649</u></u>	<u><u>905,638</u></u>	<u><u>1,673,198</u></u>

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank Overdraft limit	100,000	-	100,000
Credit Card limit	13,000	-	13,000
Credit Card Balance at Balance Date	-	-	-
Total Amount of Credit Unused	<u>113,000</u>	<u>-</u>	<u>113,000</u>

Loan Facilities

Loan Facilities - Current	126,051	-	137,891
Loan Facilities - Non-Current	605,226	-	731,277
Total Facilities in Use at Balance Date	<u>731,277</u>	<u>-</u>	<u>869,168</u>

Unused Loan Facilities at Balance Date	<u>-</u>	<u>-</u>	<u>-</u>
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**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

13. CONTINGENT LIABILITIES

Regional Resource Recovery Centre-Lending Facility

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

The Capital construction of the facility is funded by borrowings from the Western Australian Treasury Corporation. A \$55 million lending facility has been set up for this purpose, repayable over a term of 20 years.

The SMRC will receive and administer the borrowings and the project will make quarterly contributions towards repayment of these borrowings.

The Council's estimated share of the project funding is based on population percentages (census figures each 5 years) over the life of the loan, currently at 2.42%. The SMRC Loan Liability as at 30 June 2009 is \$48,770,071 with the Council's share of this liability being \$1,181,855. It is estimated that once fully drawn, Council's annual contribution towards the repayment of interest and principal will be in the region of \$115,000 over the 20 year loan period. Council has guaranteed by way of agreement its share of the loan liability to the SMRC and the Western Australian Treasury Corporation (funding body)

(b) The SMRC participants have also guaranteed by way of security to the Western Australian Treasury Corporation, a charge over its general funds for the debenture borrowings for the SMRC Administration building at 9 Aldous Place, Booragoon. The SMRC Loan Liability as at 30 June 2009, is \$1,800,000 with the Council's share of this liability being \$31,320.

14. CAPITAL AND LEASING COMMITMENTS

(a) Finance Lease Commitments

	2009 \$	2008 \$
Total Finance Lease Liability	-	-
Total Lease Liability	-	-

(b) Operating Lease Commitments

Rentworks Limited (Tractor)	4,606	20,935
Telstra (Telephone System)	3,131	6,957
Toshiba (Photocopier)	3,276	23,032
	6,407	50,924

(c) Capital Expenditure Commitments

Contracted for:		
Federal Infrastructure Funding Buildings	117,100	-

The capital expenditure project outstanding at the end of the current reporting period represents funding from Commonwealth Government from stimulus package to be completed by September 2009

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

15. SOUTHERN METROPOLITAN REGIONAL COUNCIL

General Funds

The Council is a member of the Southern Metropolitan Regional Council. SMRC was established in accordance with the Local Government Act 1995 and consists of seven local governments namely Cities of Canning, Cockburn, Fremantle, Melville, Rockingham & Towns of East Fremantle and Kwinana. Council's share in the net assets of the SMRC (excluding the RRRC project) as at 30 June 2009 was

	2009	2008
Amount of Interest	\$ 14,155	14,643
Cost/profit sharing ratio	1.74%	1.80%

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

Regional Resource Recovery Centre (RRRC)

Cockburn, Fremantle, Melville & Town of East Fremantle. The venture was established through the SMRC as a major trading undertaking. The RRRC joint venture's principal activity is the development of a waste processing plant & green waste facility at Canning Vale.

Participating Council's are required to contribute an annual fee to cover the capital cost in the establishment of the facility and pay gate fees for each tonne of waste they deliver to the facility to cover the operating costs. The capital costs for each participating Member Council is based on the Australian Bureau of Statistics census of population statistics. Each project participant will develop equity in the project equal to the relevant proportion of the total capital loan repayments made by the project participant. The Council's interest in the equity of the Joint Venture as at 30 June 2009 (as calculated by the SMRC);

	2009	2008
Share of Equity	\$ (118,098)	(123,594)
Cost/profit sharing ratio	2.42%	2.43%

It is estimated that the capital cost of the project will be \$55 million to be funded by borrowings repayable by annual contributions from the five participating Local Governments. Council's portion of the Capital repayment commenced in the 2001-2002 financial years and will continue for a period of 20 years. The contribution for 2007-2008 by the Council is \$111,743 and this expenditure is reflected in Council's financial statements as an operating expense.

South West Group

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

Council's share in the net assets of the South West Group as at 30 June 2009 was:

	2009	2008
Share of Equity	\$ 25,188	29,890
Cost/profit sharing ratio	6.73%	8.28%

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	4,597,315	3,600,246
Law, Order, Public Safety	3,428	3,617
Health	30,647	29,857
Education and Welfare	435,257	427,152
Housing	198,478	207,532
Community Amenities	1,275,576	1,489,751
Recreation and Culture	5,597,215	5,986,407
Transport	8,318,451	7,512,807
Economic Services	-	-
Other Property and Services	695,281	721,891
Unallocated	624,957	876,917
	<u>21,776,605</u>	<u>20,856,177</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

	2009	2008	2007
17. FINANCIAL RATIOS			
Current Ratio	1.42	1.70	2.03
Untied Cash to Unpaid Trade Creditors Ratio	4.68	3.42	3.49
Debt Ratio	11.79%	12.27%	12.92%
Debt Service Ratio	2.80%	2.95%	3.43%
Gross Debt to Revenue Ratio	10.66%	13.29%	16.98%
Gross Debt to Economically Realisable Assets Ratio	6.14%	7.55%	9.43%
Rate Coverage Ratio	65.58%	62.96%	65.06%
Outstanding Rates Ratio	2.44%	2.62%	1.28%

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted current assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Untied Cash to Unpaid Trade Creditors Ratio	$\frac{\text{untied cash}}{\text{unpaid trade creditors}}$
Debt Ratio	$\frac{\text{total liabilities}}{\text{total assets}}$
Debt Service Ratio	$\frac{\text{debt service cost}}{\text{available operating revenue}}$
Gross Debt to Revenue Ratio	$\frac{\text{gross debt}}{\text{total revenue}}$
Gross Debt to Economically Realisable Assets Ratio	$\frac{\text{gross debt}}{\text{economically realisable assets}}$
Rate Coverage Ratio	$\frac{\text{net rate revenue}}{\text{operating revenue}}$
Outstanding Rates Ratio	$\frac{\text{rates outstanding}}{\text{rates collectable}}$

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

18. TRUST FUNDS

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

	Balance 1-Jul-08 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-09 \$
Garfield	9,247	493	-	9,740
Left Bank	283,078	33,695	-	316,773
Transport Tramway Funds	155,764	8,437	-	164,201
Nomination Deposits	49	1	-	50
	<u>448,138</u>	<u>42,626</u>	<u>-</u>	<u>490,764</u>

19. DISPOSALS OF ASSETS - 2008/09 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Furniture & Equipment						
Computers & LCD Screens	-	-	-	-	-	-
Plant & Equipment						
Ford Falcon Utility 1CDO380	9,034	12,000	10,455	13,000	1,421	1,000
Ford Focus Sdn 1CIO282	13,583	14,000	14,545	13,000	962	(1,000)
Toyota Hilux 1BTX321	3,801	3,200	11,818	14,000	8,017	10,800
Ford Focus Sdn 1CJQ020	16,591	13,800	15,818	13,000	(773)	(800)
Isuzu Truck 1AYK901	-	-	18,182	15,000	18,182	15,000
Water Tanker 1TEH010	-	-	2,834	-	2,834	-
Ursus Tractor 8KE536	-	-	4,321	-	4,321	-
Miscellaneous Equipment	5,339	1,000	1,500	1,000	(3,839)	-
	<u>48,348</u>	<u>44,000</u>	<u>79,473</u>	<u>69,000</u>	<u>31,125</u>	<u>25,000</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

20. INFORMATION ON BORROWINGS

(a) Debenture Repayments

Particulars	Principal 1-Jul-08 \$	New Loans \$	Principal Repayments		Principal 30-Jun-09		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Administration								
Organisational Reform - 179	148,915	-	17,084	17,084	131,831	131,831	10,280	10,290
Community Amenities								
George Street Beautification 173	39,210	-	5,486	5,486	33,724	33,724	2,593	2,593
Recycling Bins - 176	19,563	-	19,563	19,564	-	-	823	938
Recreation & Culture								
East Fremantle Bowling Club - 167*	23,708	-	3,747	3,747	19,961	19,961	1,299	1,394
Foreshore/ Landscaping - 169	73,190	-	10,240	10,240	62,950	62,950	4,841	4,841
Playground Equipment - 171	41,823	-	5,851	5,851	35,972	35,972	2,766	2,766
Automatic Reticulation - 175	57,507	-	8,047	8,046	49,460	49,460	3,804	3,804
Transport								
Footpath Construction - 168	78,418	-	10,972	10,972	67,446	67,446	5,187	5,187
Construction Works - 170	35,548	-	4,974	4,974	30,574	30,575	2,351	2,351
Local Area Traffic Management - 174	26,140	-	3,657	3,657	22,483	22,483	1,729	1,729
Road & Footpath Construction - 178	89,350	-	10,250	10,250	79,100	79,099	6,168	6,174
Road & Footpath Construction - 182	112,262	-	20,295	20,295	91,967	91,967	5,148	5,195
Road & Footpath Construction - 184	123,534	-	17,725	17,725	105,809	105,809	6,724	7,007
	869,168	-	137,891	137,891	731,277	731,277	53,713	54,269

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

All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2008/09

Council raised no new debenture loans during the 2008/09 financial year.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

20. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Debentures

Council had no unspent debenture loans as at 30 June 2009

(d) Overdraft

Council established an overdraft facility of \$100,000 in 1997 to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2008 and 30 June 2009 was \$Nil.

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

21. RATING INFORMATION - 2008/09 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											
Residential	7.5700	3,090	48,063,965	3,638,442	14,074	-	3,652,516	3,623,811	30,000	-	3,653,811
Commercial	10.4939	99	7,151,367	750,457	-	-	750,457	750,457	-	-	750,457
Sub-Totals		3,189	55,215,332	4,388,899	14,074	-	4,402,973	4,374,268	30,000	-	4,404,268
Minimum Rates											
Residential	650	208	1,530,360	135,200	-	-	135,200	135,200	-	-	135,200
Commercial	-	-	-	-	-	-	-	-	-	-	-
Sub-Totals		208	1,530,360	135,200	-	-	135,200	135,200	-	-	135,200
Ex-Gratia Rates											
Specified Area Rate (refer note 23)							4,538,173				4,539,468
Discounts (refer note 25)											
Totals							4,538,173				4,539,468
							4,538,173				4,539,468

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

22. SPECIFIED AREA RATE - 2008/09 FINANCIAL YEAR

Council imposed no specified area rates during the 2008/09 financial year.

23. SERVICE CHARGES - 2008/09 FINANCIAL YEAR

Council imposed no service charges during the 2008/09 financial year.

**24. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2008/09 FINANCIAL YEAR**

Council did not grant any discounts, incentives or concessions during 2008/09.

25. INTEREST CHARGES AND INSTALMENTS - 2008/09 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Instalments Plan	5.50%		30,302	34,000
Charges on Instalment Plan	\$15/Notice		27,778	31,000
Special Instalment Charge	\$50		-	-
			58,080	65,000

Ratepayers had the option of paying rates in one of three payment plans as follows

Payment in full by due date of 2 September 2008

Payment by two equal instalments by 2 September 2008 & 6 January 2009

Payment by four equal instalments by 2 September 2008, 4 November 2008, 6 January 2009
and 10 March 2009

26. FEES & CHARGES	2009 \$	2008 \$
Governance	12,595	13,914
General Purpose Funding	32,725	43,514
Law, Order, Public Safety	9,241	10,040
Health	2,529	17,413
Education and Welfare	10,370	165,369
Housing	51,971	50,368
Community Amenities	168,084	293,479
Recreation and Culture	234,412	153,736
Transport	118,808	252,715
Economic Services	48,775	54,804
Other Property and Services	50,353	79,670
	739,863	1,135,022

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

27. GRANT REVENUE	2009	2008
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	818,260	753,484
Non-Operating Grants, Subsidies and Contributions	148,455	161,968
	<u>966,715</u>	<u>915,452</u>
By Program:		
Governance	194,242	181,698
Law, Order, Public Safety	17,000	11,200
Education and Welfare	575,871	535,939
Recreation and Culture	134,625	9,271
Transport	44,977	177,344
	<u>966,715</u>	<u>915,452</u>

28. COUNCILLORS' REMUNERATION	2009	2009	2008
	\$	Budget	\$
		\$	
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	70,854	70,000	72,385
Mayor's Allowance	12,000	12,000	24,000
Deputy Mayor's Allowance	3,000	3,000	3,000
Travelling Expenses	2,635	3,250	2,238
	<u>88,489</u>	<u>88,250</u>	<u>101,623</u>

29. EMPLOYEES' REMUNERATION

Set out below, in bands of \$10,000, is the number of employees of the Shire entitled to an annual salary of \$100,000 or more.

Salary Range	2009	2008
\$		
110,000 - 119,999	1	1

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

2009	2008
<u>34</u>	<u>36</u>

31. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2008/09 financial year.

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2008/09 financial year.

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

33. FINANCIAL RISK MANAGEMENT

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

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

Financial risk management is carried out by the finance area under policies approved by the Council.

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2009	2008	2009	2008
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	4,009,989	3,394,478	4,009,989	3,394,478
Receivables	208,823	205,768	208,823	205,768
	<u>4,218,812</u>	<u>3,600,246</u>	<u>4,218,812</u>	<u>3,600,246</u>
Financial Liabilities				
Payables	1,397,946	1,338,243	1,397,946	1,338,243
Borrowings	731,277	869,168	711,213	819,880
	<u>2,129,223</u>	<u>2,207,411</u>	<u>2,109,159</u>	<u>2,158,123</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio 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 and investments is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	2009	2008
	\$	\$
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	48,736	38,526
- Income Statement	48,736	38,526

**TOWN OF EAST FREMANTLE
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33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2009	2008
Percentage of Rates and Annual Charges		
- Current	100.00%	100.00%
- Overdue	0.00%	0.00%
Percentage of Other Receivables		
- Current	100.00%	100.00%
- Overdue	0.00%	0.00%

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

33. FINANCIAL RISK MANAGEMENT (Continued)
(c) Payables
Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2009</u>					
Payables	1,397,946	-	-	1,397,946	1,397,946
Borrowings	171,658	684,061	43,797	899,516	137,891
	<u>1,569,604</u>	<u>684,061</u>	<u>43,797</u>	<u>2,297,462</u>	<u>1,535,837</u>
<u>2008</u>					
Payables	1,338,243	-	-	1,338,243	1,338,243
Borrowings	191,604	686,632	187,394	1,065,630	129,461
	<u>1,529,847</u>	<u>686,632</u>	<u>187,394</u>	<u>2,403,873</u>	<u>1,467,704</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Borrowings (Continued)

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. Council manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
Year Ended 30 June 2009								
Borrowings								
Fixed Rate								
Debtentures	-	-	-	91,967	428,378	210,931	731,276	6.53%
Weighted Average Effective Interest Rate	-	-	-	4.96%	6.58%	7.11%	-	-
Year Ended 30 June 2008								
Borrowings								
Fixed Rate								
Debtentures	19,564	-	-	-	112,262	737,343	869,169	6.51%
Weighted Average Effective Interest Rate	6.36%	-	-	-	4.96%	6.75%	-	-

INDEPENDENT AUDIT REPORT**TO: RATEPAYERS OF TOWN OF EAST FREMANTLE****Report on the Financial Report**

We have audited the financial report of the Town of East Fremantle, which comprises the Balance Sheet as at 30 June 2009 and the Income Statement, Statement of Changes in Equity, Cash Flow Statement, Rate Setting Statement and the notes to and forming part of the financial report for the year ended on that date.

The Responsibility of the Council for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

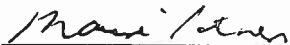
Auditor's Opinion

In our opinion, the financial report of the Town of East Fremantle:

- (i) gives a true and fair view of the financial position of the Town of East Fremantle as at 30 June 2009 and of its financial performance for the year ended on that date; and
- (ii) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards (including the Australian Accounting Interpretations).

Statutory Compliance

We did not during the course of our audit become aware of any instances where the Council did not comply with the requirements of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).



MACRI PARTNERS
CERTIFIED PRACTISING ACCOUNTANTS
28 THOROGOOD STREET
BURSWOOD WA 6100



A MACRI
PARTNER

PERTH
DATED THIS 7th DAY OF OCTOBER 2009.

