



TOWN OF  
EAST FREMANTLE



**Annual Financial Statements  
for the year ended  
30 June 2012**

**TOWN OF EAST FREMANTLE**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

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**TOWN OF EAST FREMANTLE**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED 30TH JUNE 2012**

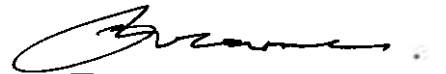
**LOCAL GOVERNMENT ACT 1995**

**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 2012 are in my opinion properly drawn up to present fairly the financial position of the Town of East Fremantle at 30th June 2012 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 *30<sup>th</sup>* day of *OCTOBER* 2012



Stuart Wearne  
Chief Executive Officer

**TOWN OF EAST FREMANTLE  
STATEMENT OF COMPREHENSIVE INCOME  
BY NATURE OR TYPE  
FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
<b>Revenue</b>				
Rates	20	5,408,998	5,371,774	5,107,576
Operating Grants, Subsidies and Contributions	26	1,006,072	824,581	912,658
Fees and Charges	25	1,441,897	1,077,478	1,061,967
Interest Earnings	2(a)	380,689	240,000	408,753
Other Revenue		182,117	57,292	126,429
		<u>8,419,773</u>	<u>7,571,125</u>	<u>7,617,383</u>
<b>Expenses</b>				
Employee Costs		(2,362,545)	(2,743,512)	(2,420,084)
Materials and Contracts		(3,542,842)	(3,102,621)	(3,335,045)
Utility Charges		(344,253)	(293,510)	(301,461)
Depreciation on Non-Current Assets	2(a)	(803,950)	(695,471)	(727,812)
Interest Expenses	2(a)	(28,060)	(28,592)	(36,877)
Insurance Expenses		(239,275)	(221,140)	(210,435)
Other Expenditure		(158,902)	(102,000)	(89,810)
		<u>(7,479,827)</u>	<u>(7,186,846)</u>	<u>(7,121,524)</u>
		939,946	384,279	495,859
Non-Operating Grants, Subsidies and Contributions	26	433,044	993,776	515,301
Profit on Asset Disposals	18	73,019	48,559	1,434
Loss on Asset Disposal	18	<u>(19,094)</u>	<u>(2,063)</u>	<u>(1,977)</u>
<b>Net Result</b>		<b>1,426,915</b>	<b>1,424,551</b>	<b>1,010,617</b>
<b>Total Other Comprehensive Income</b>		-	-	-
<b>Total Comprehensive Income</b>		<u><b>1,426,915</b></u>	<u><b>1,424,551</b></u>	<u><b>1,010,617</b></u>

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

**TOWN OF EAST FREMANTLE  
STATEMENT OF COMPREHENSIVE INCOME  
BY PROGRAM  
FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
<b>Revenue</b>				
Governance		50,704	15,200	54,465
General Purpose Funding		6,167,824	5,921,073	5,735,158
Law, Order, Public Safety		34,729	18,300	42,586
Health		23,167	25,640	3,644
Education and Welfare		674,037	603,130	639,698
Housing		73,629	70,720	70,045
Community Amenities		187,273	189,543	216,359
Recreation and Culture		251,228	275,497	305,707
Transport		388,103	267,200	341,075
Economic Services		162,673	158,730	142,260
Other Property and Services		406,406	51,200	66,928
	2(a)	<u>8,419,773</u>	<u>7,596,233</u>	<u>7,617,925</u>
<b>Expenses</b>				
Governance		(572,018)	(669,698)	(576,511)
General Purpose Funding		(178,594)	(228,839)	(226,807)
Law, Order, Public Safety		(140,322)	(161,060)	(153,624)
Health		(99,755)	(129,346)	(105,907)
Education and Welfare		(797,676)	(698,462)	(726,346)
Housing		(45,512)	(29,210)	(45,777)
Community Amenities		(1,880,971)	(1,955,785)	(1,825,967)
Recreation and Culture		(1,374,320)	(1,372,104)	(1,283,101)
Transport		(1,780,578)	(1,674,189)	(1,837,885)
Economic Services		(190,321)	(176,069)	(181,642)
Other Property and Services		(391,700)	(88,600)	(121,622)
	2(a)	<u>(7,451,767)</u>	<u>(7,183,362)</u>	<u>(7,085,189)</u>
<b>Finance Costs</b>				
Governance		(6,293)	(6,306)	(7,716)
Community Amenities		(1,365)	(1,365)	(1,802)
Recreation and Culture		(6,542)	(6,658)	(8,737)
Transport		(13,860)	(14,263)	(18,622)
	2(a)	<u>(28,060)</u>	<u>(28,592)</u>	<u>(36,877)</u>
<b>Non-Operating Grants, Subsidies and Contributions</b>				
Education and Welfare		157,330	120,000	156,745
Recreation and Culture		-	527,500	38,000
Transport		275,714	346,276	320,556
		<u>433,044</u>	<u>993,776</u>	<u>515,301</u>
<b>Profit/(Loss) on Disposal of Assets</b>				
Governance		9,049	- 2,063	-
Law, Order, Public Safety		2,002	3,894	-
Health		1,223	1,810	-
Education and Welfare		(1,497)	-	(441)
Community Amenities		-	-	1,142
Recreation and Culture		39,837	41,483	(1,244)
Economic Services		3,311	1,372	-
		<u>53,925</u>	<u>46,496</u>	<u>- 543</u>
<b>Net Result</b>		<u><b>1,426,915</b></u>	<u><b>1,424,551</b></u>	<u><b>1,010,617</b></u>
<b>Total Other Comprehensive Income</b>		-	-	-
<b>Total Comprehensive Income</b>		<u><b>1,426,915</b></u>	<u><b>1,424,551</b></u>	<u><b>1,010,617</b></u>

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

**TOWN OF EAST FREMANTLE  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2012**

	NOTE	2012 \$	2011 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	3	3,605,413	4,089,056
Trade and Other Receivables	4	<u>627,770</u>	<u>162,254</u>
<b>TOTAL CURRENT ASSETS</b>		<u>4,233,183</u>	<u>4,251,310</u>
<b>NON-CURRENT ASSETS</b>			
Other Receivables	4	92,914	95,033
Property, Plant and Equipment	5	7,834,547	7,573,312
Infrastructure	6	<u>12,558,165</u>	<u>11,574,567</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>20,485,626</u>	<u>19,242,912</u>
<b>TOTAL ASSETS</b>		<u>24,718,809</u>	<u>23,494,222</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	7	952,105	1,034,387
Long Term Borrowings	8	152,430	143,067
Provisions	9	<u>579,149</u>	<u>547,406</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,683,684</u>	<u>1,724,860</u>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings	7	175,444	327,874
Provisions	8	<u>24,029</u>	<u>32,751</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>199,473</u>	<u>360,625</u>
<b>TOTAL LIABILITIES</b>		<u>1,883,157</u>	<u>2,085,485</u>
<b>NET ASSETS</b>		<u>22,835,652</u>	<u>21,408,737</u>
<b>EQUITY</b>			
Retained Surplus		19,822,622	18,736,420
Reserves - Cash Backed	10	<u>3,013,030</u>	<u>2,672,317</u>
<b>TOTAL EQUITY</b>		<u>22,835,652</u>	<u>21,408,737</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 2012**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	TOTAL EQUITY \$
Balance as at 1 July 2010		18,098,849	2,299,271	20,398,120
Net Result		1,010,617	-	1,010,617
Total Other Comprehensive Income		-	-	-
Reserve Transfers		(373,046)	373,046	-
<b>Balance as at 30 June 2011</b>		<b>18,736,420</b>	<b>2,672,317</b>	<b>21,408,737</b>
Net Result		1,426,915	-	1,426,915
Total Other Comprehensive Income		-	-	-
Reserve Transfers		(340,713)	340,713	-
<b>Balance as at 30 June 2012</b>		<b>19,822,622</b>	<b>3,013,030</b>	<b>22,835,652</b>

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 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
<b>Cash Flows From Operating Activities</b>				
<b>Receipts</b>				
Rates		5,393,233	5,371,774	5,111,098
Operating Grants, Subsidies and Contributions		1,006,072	824,581	912,658
Fees and Charges		1,194,999	1,077,478	1,183,729
Interest Earnings		380,689	240,000	408,753
Goods and Services Tax		584,625	-	557,987
Other Revenue		190,687	57,292	126,222
		<u>8,750,305</u>	<u>7,571,125</u>	<u>8,300,447</u>
<b>Payments</b>				
Employee Costs		(2,308,097)	(2,743,512)	(2,905,684)
Materials and Contracts		(3,531,528)	(3,102,621)	(3,329,440)
Utility Charges		(344,253)	(293,510)	(301,461)
Insurance Expenses		(239,275)	(221,140)	(210,435)
Interest expenses		(28,060)	(28,592)	(36,877)
Goods and Services Tax		(213,794)	-	(145,790)
Other Expenditure		(158,902)	(102,000)	(89,810)
		<u>(6,823,909)</u>	<u>(6,491,375)</u>	<u>(7,019,497)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	11(b)	<u>1,926,396</u>	<u>1,079,750</u>	<u>1,280,950</u>
<b>Cash Flows from Investing Activities</b>				
Payments for Purchase of Property, Plant & Equipment		(834,870)	(2,112,950)	(162,366)
Payments for Construction of Infrastructure		(1,312,023)	(2,500,978)	(1,729,684)
Transfer of Trust Cash From Municipal Non-Cash Contribution		(591,413)	-	(192,998)
Non-Operating Grants, Subsidies and Contributions		433,044	993,776	515,301
Proceeds from Sale of Plant & Equipment		152,034	149,000	14,793
<b>Net Cash Provided By (Used In) Investing Activities</b>		<u>(2,271,462)</u>	<u>(3,471,152)</u>	<u>(1,554,954)</u>
<b>Cash Flows from Financing Activities</b>				
Repayment of Debentures		(143,067)	(143,067)	(134,285)
Proceeds from Self Supporting Loans		4,490	-	4,227
Proceeds from New Debentures		-	1,200,000	-
<b>Net Cash Provided By (Used In) Financing Activities</b>		<u>(138,577)</u>	<u>1,056,933</u>	<u>(130,058)</u>
<b>Net Increase (Decrease) in Cash Held</b>		<u>(483,643)</u>	<u>(1,334,469)</u>	<u>(404,062)</u>
Cash at Beginning of Year		4,089,056	4,017,353	4,493,118
<b>Cash and Cash Equivalents at the End of the Year</b>	11(a)	<u>3,605,413</u>	<u>2,682,884</u>	<u>4,089,056</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 2012**

	NOTE	2012 Actual \$	2012 Budget \$	2011 Actual \$
<b>Revenue</b>				
Governance		59,753	15,200	54,465
General Purpose Funding		758,826	549,299	627,582
Law, Order, Public Safety		36,731	22,194	42,586
Health		24,390	27,450	3,644
Education and Welfare		849,006	723,130	796,002
Housing		73,629	70,720	70,045
Community Amenities		187,273	189,543	217,501
Recreation and Culture		291,065	841,480	342,463
Transport		663,817	616,476	661,631
Economic Services		165,984	160,102	142,260
Other Property and Services		406,364	51,200	66,928
		<u>3,516,838</u>	<u>3,266,794</u>	<u>3,025,107</u>
<b>Expenses</b>				
Governance		(578,311)	(678,067)	(584,227)
General Purpose Funding		(178,594)	(228,839)	(226,807)
Law, Order, Public Safety		(140,322)	(161,060)	(153,624)
Health		(99,755)	(129,346)	(105,907)
Education and Welfare		(816,812)	(698,462)	(726,346)
Housing		(45,512)	(29,210)	(45,777)
Community Amenities		(1,882,335)	(1,957,150)	(1,827,769)
Recreation and Culture		(1,380,861)	(1,378,762)	(1,291,838)
Transport		(1,794,438)	(1,688,451)	(1,856,508)
Economic Services		(190,321)	(176,069)	(181,642)
Other Property and Services		(391,660)	(88,600)	(121,622)
		<u>(7,498,921)</u>	<u>(7,214,016)</u>	<u>(7,122,067)</u>
<b>Net Result Excluding Rates</b>		<b>(3,982,083)</b>	<b>(3,947,222)</b>	<b>(4,096,960)</b>
<b>Adjustments for Cash Budget Requirements:</b>				
<b>Non-Cash Expenditure and Revenue</b>				
(Profit)/Loss on Asset Disposals	18	(53,925)	(46,496)	543
Movement in Accrued Income/ Expense		17,851	-	115,844
Depreciation and Amortisation on Assets	2(a)	803,950	695,471	727,812
<b>Capital Expenditure and Revenue</b>				
Purchase Land and Buildings		(173,930)	(1,627,500)	(92,619)
Purchase Infrastructure Assets - Roads		(1,312,023)	(2,500,978)	(1,756,063)
Purchase Plant and Equipment		(660,939)	(477,450)	(60,172)
Purchase Furniture and Equipment		-	(8,000)	(23,821)
Proceeds from Disposal of Assets	18	152,024	149,000	14,586
Repayment of Debentures	19(a)	(143,067)	(143,067)	(134,286)
Proceeds from New Debentures	19	-	1,200,000	-
Self-Supporting Loan Principal Income		4,769		4,227
Transfers to Reserves (Restricted Assets)	10	(1,059,713)	(228,444)	(690,829)
Transfers from Reserves (Restricted Assets)	10	719,000	897,950	317,783
<b>ADD</b> Estimated Surplus/(Deficit) July 1 B/Fwd	20(b)	576,287	664,962	1,142,666
<b>LESS</b> Estimated Surplus/(Deficit) June 30 C/Fwd	20(b)	297,199	-	576,287
<b>Amount Required to be Raised from Rates</b>	20(a)	<u><b>(5,408,998)</b></u>	<u><b>(5,371,774)</b></u>	<u><b>(5,107,576)</b></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 2012**

**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 statement which has 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.

Except for cash flow and rate setting information, the report has also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of the 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.

**(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 excluded from the financial statements, but a separate statement of those monies appears at Note 17 to these financial statements.

**(c) Goods and Services Tax**

Revenues, expenses and assets capitalised are stated net of any GST recoverable.

Receivables and payables in the statement of financial position are stated inclusive of applicable GST. 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.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, cash at bank, deposits held at call with banks, other short term highly liquid investments with original maturities 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 and bank overdrafts.

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

**(e) Trade and Other Receivables**

Collectibility 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.

**(f) 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 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, borrowing costs and holding costs until Finance costs and holding charges incurred after development is completed are expensed.

Revenue arising from the sale of property is recognised in the statement of comprehensive income as at the time of signing an unconditional 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**

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

***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 by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the statement of comprehensive income in the period in which they are incurred.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Fixed Assets (Continued)**

***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 the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

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

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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 materially 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.

***Depreciation of Non-Current Assets***

All non-current assets having a limited useful life (excluding freehold land) 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.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Fixed Assets (Continued)**

***Depreciation of Non-Current Assets (Continued)***

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
Infrastructure	Various
Mobile Equipment	5 Years
Electronic Equipment	5 Years
Tools	5 Years

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

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

Gains and losses on disposals are determined by comparing proceeds with with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

***Capitalisation Threshold***

Expenditure on items of equipment under \$2,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

**(h) Financial Instruments**

***Initial Recognition and Measurement***

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (ie 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.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Financial Instruments (Continued)**

***Classification and Subsequent Measurement***

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

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

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;
- (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; and
- (d) less any reduction for impairment.

The effective interest rate 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.

***(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 and are subsequently measured at amortised cost.

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 and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost.

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.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Financial Instruments (Continued)**

***Classification and Subsequent Measurement (Continued)***

***(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.

They are subsequently measured at fair value with changes in such fair value (ie 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 the 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 financial assets are classified as non-current.

***(v) Financial liabilities***

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

***Impairment***

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

***Derecognition***

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

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. 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.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(i) 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 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 (eg AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

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

**(j) Trade and Other Payables**

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

**(k) Employee Benefits**

Provision is made for the Council's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for the benefits. In determining the liability, consideration is given to the employee wage increases and the probability the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity matching the expected timing of cash flows.

**(l) Borrowing Costs**

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a **qualifying asset**. Where this is the case, they are capitalised as part of the cost of the particular asset.

**(m) Provisions**

Provisions are recognised when:

- a) the Council has a present legal or constructive obligation as a result of past events;
- b) for which it is probable that an outflow of economic benefits will result; and
- c) 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.



**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(n) Leases**

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

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

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

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

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

**(o) Joint Venture**

Information about joint ventures is set out in Note 14.

**(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 operation for the current reporting period.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(q) Superannuation**

The Council contributes to a number of superannuation funds on behalf of employees. All funds to which the Council contributes are defined contribution plans.

**(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 Council's operational cycle. In the case of liabilities where the Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for resale where it is held as non-current based on Council'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.

**(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 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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 2012.

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

Title and Topic	Issued	Applicable (*)	Impact
(i) AASB 9 – Financial Instruments	December 2009	01 January 2013	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 1053 - Application of Tiers of Australian Accounting Standards	June 2010	01 July 2013	Nil - Due to its nature and statutory requirements the Council will be deemed a Tier 1 entity and will continue to prepare general purpose financial statements.
(iii) AASB 2009– 11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12)	December 2009	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title and Topic	Issued	Applicable (*)	Impact
(iv) AASB 2010 - 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050, & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]	June 2010	01 July 2013	Nil - None of these amendments will have any effect on the financial report as the standard does not apply in the case of general purpose financial statements.
(v) AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2010	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(vi) AASB 2010 - 8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]	December 2010	01 January 2012	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 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title and Topic	Issued	Applicable (*)	Impact
(vii) AASB 2010 - 10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters [AASB 2009 - 11 & 2010 - 7]	December 2010	01 January 2013	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 2011 - 2 Amendments to Australian Accounting Standards - Arising from the Trans-Tasman Consequence Project - Reduced Disclosure Requirements. [AASB 101 & 1054]	May 2011	01 July 2013	
AASB 2011 - 3 Amendments to Australian Accounting Standards - Orderly Adoption of Changes to ABS GFS manual and related Amendments. [AASB 1049]	May 2011	01 July 2012	
AASB 2011 - 6 Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements [AASB 127, 128 & 131]	July 2011	01 July 2013	

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title and Topic	Issued	Applicable (*)	Impact
(viii) AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, AASB 127 - Separate Financial Statements, AASB 128 - Investments in Associates and Joint Ventures, AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	August 2011	01 January 2013	Nil - None of these, except for AASB 128, are expected to have significant application to the operations of the Council. With respect to AASB 128, where the Council has an interest in a Joint Venture, the requirements of AASB 128 supercede those of the current Joint Venture Standard AASB 131. The new standard more clearly defines the accounting treatment and disclosure in relation to it. Due to the nature of the Joint Venture, it is not expected to have a significant impact on the Council.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title and Topic	Issued	Applicable (*)	Impact
<p>(ix) AASB 13 - Fair Value Measurement, AASB 2011 - 8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 &amp; 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 &amp; 132]</p>	<p>September 2011</p>	<p>01 January 2013</p>	<p>AASB 13 defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. AASB 13 requires inputs to all fair value measurements to be categorised in accordance with fair value hierarchy. AASB 13 also requires enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value. AASB 13 will have particular relevance to the process of the Council adopting fair value methodology in relation to its fixed assets as mandated from 1 July 2012. Apart from the changes in value in relation to assets to be revalued (which are mandated by legislation and not changes to the standard) it is not expected to significantly impact the Council as the framework embodied in AASB 13 does not differ significantly from that which is present in existing standards. The amendments to the legislation requires the phasing in of fair value in relation to fixed assets over the three years from 1 July 2012. It is not possible to estimate the likely amount of any revaluations.</p>
<p>(x) AASB 2011 - 9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 &amp; 1049]</p>	<p>September 2011</p>	<p>01 July 2013</p>	<p>The main change embodied in this standard is the requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. It affects presentation only and is not expected to significantly impact the Council.</p>

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title and Topic	Issued	Applicable (*)	Impact
(xi) AASB 119 - Employee Benefits, AASB 2011 - 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretation 14]	September 2011	01 January 2013	The changes in relation to defined benefit plans contained in this standard are not expected to significantly impact the Council nor are the changes to AASBs in relation to termination benefits.
(xii) AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	September 2011	01 July 2013	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 2011 – 12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]	November 2011	01 January 2013	
AASB 2011 – 13 Amendments to Australian Accounting Standards – Improvements to AASB 1049	December 2011	01 July 2012	

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 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(w) Adoption of New and Revised Accounting Standards**

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

These new and revised standards were:

AASB 124  
AASB 1054  
AASB 2009 - 12  
AASB 2009 - 14  
AASB 2010 - 4  
AASB 2010 - 5  
AASB 2010 - 6  
AASB 2010 - 9  
AASB 2011 - 1

The standards adopted had a minimal effect on the accounting and reporting practices of the Council as they were either largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

**(x) Events after the Reporting Period**

The Australian Government passed the Clean energy Act 2011 on 8 November 2011 introducing a carbon pricing mechanism from 1 July 2012.

The Council does not have a direct carbon price liability as it does not fall within the group of major polluters identified by the Australian Federal Government. It will be impacted by the indirect flow-through of the carbon price via increased costs on its operations largely from cost increases in electricity, materials and waste disposal in landfill.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**2. REVENUE AND EXPENSES**

**2012**                      **2011**  
**\$**                                      **\$**

**(a) Net Result**

The Net Result includes:

(i) Charging as an Expense:

**Auditors Remuneration**

- Audit	14,000	11,755
- Other Services	3,355	7,200

**Depreciation**

Buildings	287,485	287,305
Furniture and Equipment	17,473	20,912
Plant and Equipment	170,567	133,976
Infrastructure	328,425	285,619
	<u>803,950</u>	<u>727,812</u>

**Interest Expenses (Finance Costs)**

Debentures ( <i>refer Note 19(a)</i> )	28,060	36,877
	<u>28,060</u>	<u>36,877</u>

(ii) Crediting as Revenue:

	<b>2012</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	

**Interest Earnings**

Investments		
- Reserve Funds	147,639	65,000
- Other Funds	179,578	175,000
Other Interest Revenue ( <i>refer note 24</i> )	53,472	-
	<u>380,689</u>	<u>240,000</u>
	<u>380,689</u>	<u>408,753</u>

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**2. REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective**

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

Council operations as disclosed in this financial report encompass the following service oriented activities/programs.

**GOVERNANCE**

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

Activities: Administration and operation of facilities and services to members of Council.

Other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.

**GENERAL PURPOSE FUNDING**

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

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

**LAW, ORDER, PUBLIC SAFETY**

Objective: To provide 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 the provision of Child Health Clinics

**EDUCATION AND WELFARE**

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

Activities: Provision of a full home and community care suite of products and services.

**HOUSING**

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

Activities: Provision and maintenance of 5 rental properties.

**COMMUNITY AMENITIES**

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

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

**RECREATION AND CULTURE**

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

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

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH 2011**

**2. REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective**

**TRANSPORT**

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

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

**ECONOMIC SERVICES**

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

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

**OTHER PROPERTY AND SERVICES**

Objective: To provide other services etc, not elsewhere included

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

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**2. REVENUE AND EXPENSES (Continued)**

<b>(c) Conditions Over Grants/Contributions</b>		<b>Opening Balance (*) 1-Jul-10</b>	<b>Received (+) 2010/11</b>	<b>Expended (#) 2010/11</b>	<b>Closing Balance (*) 30-Jun-11</b>	<b>Received (+) 2011/12</b>	<b>Expended (#) 2011/12</b>	<b>Closing Balance 30-Jun-12</b>
<b>Grant/Contribution</b>	<b>Function/ Activity</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Town Hall Structural Report	4	-	21,989	(20,600)	1,389	221,042	(1,389)	-
Grants Commission	3	-	-	-	-	(221,042)	(221,042)	-
Grip on Graffiti	5	38,700	20,720	(43,394)	16,026	15,600	(16,026)	15,600
HACC Operating Grant	8	-	584,745	(584,745)	-	617,576	(617,576)	-
HACC Capital Grant	8	-	156,745	-	156,745	157,330	(299,475)	14,600
Federal Infrastructure Funding	11	46,779	38,000	(40,482)	44,297	-	(44,297)	-
Swan River Trust Erosion	11	-	33,250	(30,168)	3,082	-	(3,082)	-
East Fremantle Fiesta	11	-	17,340	(17,340)	-	18,620	(18,620)	-
Kidsport Frant	11	-	-	-	-	15,000	(845)	14,155
Main Roads Blackspot Preston	12	151,304	320,556	(471,860)	-	-	-	-
Main Roads Hoon Grant	12	-	-	-	-	23,749	(23,749)	-
MR Blackspot PP Poad R/bout	12	-	-	-	-	133,719	-	133,719
Main Roads Petra St	12	-	-	-	-	118,246	(118,246)	-
Bus Stop Accessibility	14	-	1,550	(1,550)	-	-	-	-
<b>Total</b>		<b>236,783</b>	<b>1,194,895</b>	<b>(1,210,139)</b>	<b>221,539</b>	<b>1,320,882</b>	<b>(1,364,347)</b>	<b>178,074</b>

**Notes:**

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

(+) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(#) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

	2012 \$	2011 \$
<b>3. CASH AND CASH EQUIVALENTS</b>		
Unrestricted	592,384	603,787
Restricted	3,013,029	3,485,269
	<u>3,605,413</u>	<u>4,089,056</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Mooring Pens Bonds	-	65,650
Other Bonds	-	51,875
Footpath Bonds	-	473,888
Staff Leave Reserve	433,152	343,253
Plant Replacement Reserve	227,274	315,912
Civil Building Reserve	959,278	1,258,049
HACC Reserve	156,150	147,594
Legal Funds Reserve	117,214	110,790
Strategic Plan Reserve	788,464	417,515
Office Reserve	108,423	79,204
Arts & Sculpture Reserve	45,000	-
Unspent Grants	178,074	221,539
	<u>3,013,029</u>	<u>3,485,269</u>
<b>4. TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Rates Outstanding	43,952	30,837
Sundry Debtors	567,420	106,728
Accrued Income ESL	12,229	20,799
Loans - Clubs/Institutions	4,769	4,490
Less Provision for Doubtful Debts	(600)	(600)
	<u>627,770</u>	<u>162,254</u>
<b>Non-Current</b>		
Rates Outstanding - Pensioners	90,419	87,769
Loans - Clubs/Institutions	2,495	7,264
	<u>92,914</u>	<u>95,033</u>

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

	2012 \$	2011 \$
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>		
Land and Buildings - Cost	11,723,340	11,549,409
Less Accumulated Depreciation	<u>(4,722,725)</u>	<u>(4,435,240)</u>
	7,000,615	7,114,169
Furniture and Equipment - Cost	404,555	406,828
Less Accumulated Depreciation	<u>(363,678)</u>	<u>(348,478)</u>
	40,877	58,350
Plant and Equipment - Cost	1,802,973	1,637,053
Less Accumulated Depreciation	<u>(1,009,918)</u>	<u>(1,236,260)</u>
	793,055	400,793
	<u><u>7,834,547</u></u>	<u><u>7,573,312</u></u>

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**5. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**Movements in Carrying Amounts**

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land & Buildings \$	Furniture & Equipment \$	Plant & Equipment \$	Total \$
Balance as at the beginning of the year	7,114,169	58,350	400,793	7,573,312
Additions	173,931		660,939	834,870
(Disposals)		(2,273)	(495,017)	(497,290)
Depreciation (Expense)	(287,485)	(17,473)	(170,567)	(475,525)
Depreciation (Written Back)		2,273	396,907	399,180
<b>Carrying amount at the end of year</b>	<u><u>7,000,615</u></u>	<u><u>40,877</u></u>	<u><u>793,055</u></u>	<u><u>7,834,547</u></u>



**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

	2012	2011
	\$	\$
<b>6. INFRASTRUCTURE</b>		
Roads - Cost	8,932,680	8,280,776
Less Accumulated Depreciation	<u>(1,789,858)</u>	<u>(1,608,892)</u>
	7,142,822	6,671,884
Reserves - Cost	785,189	785,189
Less Accumulated Depreciation	<u>(166,117)</u>	<u>(147,094)</u>
	619,072	638,095
Rivers - Cost	181,011	181,011
Less Accumulated Depreciation	<u>(64,508)</u>	<u>(60,189)</u>
	116,503	120,822
Paths - Cost	2,604,764	2,336,363
Less Accumulated Depreciation	<u>(439,614)</u>	<u>(388,978)</u>
	2,165,150	1,947,385
Signs - Cost	85,453	85,453
Less Accumulated Depreciation	<u>(76,310)</u>	<u>(76,003)</u>
	9,143	9,450
Irrigation - Cost	359,564	359,564
Less Accumulated Depreciation	<u>(174,095)</u>	<u>(158,471)</u>
	185,469	201,093
Parks - Cost	879,661	661,881
Less Accumulated Depreciation	<u>(220,890)</u>	<u>(195,309)</u>
	658,771	466,572
Car Parks - Cost	598,646	520,379
Less Accumulated Depreciation	<u>(122,356)</u>	<u>(111,119)</u>
	476,290	409,260
Drainage - Cost	1,270,366	1,191,596
Less Accumulated Depreciation	<u>(135,424)</u>	<u>(115,924)</u>
	1,134,942	1,075,672
Bus Shelters	51,813	34,913
Less Accumulated Depreciation	<u>(1,810)</u>	<u>(579)</u>
	50,003	34,334
Total	<u><u>12,558,165</u></u>	<u><u>11,574,567</u></u>

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**6. INFRASTRUCTURE (Continued)**

**Movements in Carrying Amounts**

Movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

	Roads \$	Footpaths \$	Drainage \$	Reserves Irrigation Parks \$	Rivers \$	Car Parks Signs Bus Shelters \$	Total \$
Balance at the beginning of the year	6,671,885	1,947,385	1,075,671	1,305,760	120,822	453,044	11,574,567
Transfer	-	-	-	39,872	-	(39,872)	-
Additions	651,905	268,401	78,770	217,780	-	95,167	1,312,023
Depreciation (Expense)	(180,966)	(50,637)	(19,500)	(60,228)	(4,319)	(12,775)	(328,425)
<b>Carrying amount at the end of year</b>	<b><u>7,142,824</u></b>	<b><u>2,165,149</u></b>	<b><u>1,134,941</u></b>	<b><u>1,503,184</u></b>	<b><u>116,503</u></b>	<b><u>495,564</u></b>	<b><u>12,558,165</u></b>

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

	2012 \$	2011 \$
<b>7. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry Creditors	872,126	394,422
Accrued Expenses	30,190	13,306
Accrued Salaries and Wages	49,789	35,246
Bonds & Deposits	-	591,413
	<u>952,105</u>	<u>1,034,387</u>
<b>8. LONG-TERM BORROWINGS</b>		
<b>Current</b>		
Secured by Floating Charge Debentures	<u>152,430</u>	<u>143,067</u>
	<u>152,430</u>	<u>143,067</u>
<b>Non-Current</b>		
Secured by Floating Charge Debentures	<u>175,444</u>	<u>327,874</u>
	<u>175,444</u>	<u>327,874</u>
Additional detail on borrowings is provided in Note 19.		
<b>9. PROVISIONS</b>		
<b>Current</b>		
Provision for Annual Leave	292,201	310,279
Provision for Long Service Leave	286,948	237,127
	<u>579,149</u>	<u>547,406</u>
<b>Non-Current</b>		
Provision for Long Service Leave	24,029	32,751
	<u>24,029</u>	<u>32,751</u>

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

	2012 \$	2012 Budget \$	2011 \$
<b>10. RESERVES - CASH BACKED</b>			
<b>(a) Plant Replacement Reserve</b>			
Opening Balance	315,912	327,318	238,017
Amount Set Aside / Transfer to Reserve	117,362	103,347	108,895
Amount Used / Transfer from Reserve	<u>(206,000)</u>	<u>(208,450)</u>	<u>(31,000)</u>
	<u>227,274</u>	<u>222,215</u>	<u>315,912</u>
<b>(b) Staff Leave Reserve</b>			
Opening Balance	343,253	340,224	324,320
Amount Set Aside / Transfer to Reserve	89,900	0	18,933
Amount Used / Transfer from Reserve	-	-	-
	<u>433,153</u>	<u>340,224</u>	<u>343,253</u>
<b>(c) Office reserve</b>			
Opening Balance	79,204	79,951	51,214
Amount Set Aside / Transfer to Reserve	29,219	27,873	27,990
Amount Used / Transfer from Reserve	-	-	-
	<u>108,423</u>	<u>107,824</u>	<u>79,204</u>
<b>(d) Legal Costs Reserve</b>			
Opening Balance	110,790	109,813	104,680
Amount Set Aside / Transfer to Reserve	6,424	3,859	6,110
Amount Used / Transfer from Reserve	-	-	-
	<u>117,214</u>	<u>113,672</u>	<u>110,790</u>
<b>(e) HACC Reserve</b>			
Opening Balance	147,594	146,292	139,453
Amount Set Aside / Transfer to Reserve	8,556	5,141	8,141
Amount Used / Transfer from Reserve	-	-	-
	<u>156,150</u>	<u>151,433</u>	<u>147,594</u>
<b>(f) Strategic Plan Reserve</b>			
Opening Balance	417,515	381,252	441,728
Amount Set Aside / Transfer to Reserve	483,949	7,960	25,787
Amount Used / Transfer from Reserve	<u>(113,000)</u>	<u>(238,000)</u>	<u>(50,000)</u>
	<u>788,464</u>	<u>151,212</u>	<u>417,515</u>
<b>(g) Civic Building Reserve</b>			
Opening Balance	1,258,049	824,625	763,076
Amount Set Aside / Transfer to Reserve	101,229	80,264	494,973
Amount Used / Transfer from Reserve	<u>(400,000)</u>	<u>(451,500)</u>	-
	<u>959,278</u>	<u>453,389</u>	<u>1,258,049</u>

**TOWN OF EAST FREMANTLE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**0**

	2012 \$	2012 Budget \$	2011 \$
<b>10. RESERVES - CASH BACKED (Continued)</b>			
<b>(h) Arts &amp; Sculpture Reserve</b>			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	45,000	-	-
Amount Used / Transfer from Reserve	-	-	-
	<u>45,000</u>	<u>-</u>	<u>-</u>
<b>(1) Committed Funds Reserve</b>			
Opening Balance	-	-	236,783
Amount Set Aside / Transfer to Reserve	178,074	-	-
Amount Used / Transfer from Reserve	-	-	(236,783)
	<u>178,074</u>	<u>-</u>	<u>(236,783)</u>
<b>TOTAL CASH BACKED RESERVES</b>	<u>3,013,030</u>	<u>1,539,969</u>	<u>2,672,317</u>

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

**Leave Reserve**

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

**Plant Reserve**

- to be used for the purchase of major plant

**Civil 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

**Arts & Sculpture Reserve**

- to be used to fund cultural development

**Unspent Grants Reserve**

- to be used to ensure grant funding is available

All Reserves may be utilised in 2012/13.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**11. 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:

	<b>2012</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	
Cash and Cash Equivalents	<u>3,605,413</u>	<u>1,424,551</u>	<u>4,089,056</u>

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

Net Result	1,426,915	1,424,551	1,010,617
Depreciation	803,950	695,471	727,812
(Profit)/Loss on Sale of Asset	(53,925)	(46,496)	543
(Increase)/Decrease in Receivables	(467,886)	-	(27,451)
Increase/(Decrease) in Payables	627,365	-	18,376
Increase/(Decrease) in Employee Provisions	23,021	-	66,354
Grants/Contributions for the Development of Assets	<u>(433,044)</u>	<u>(993,776)</u>	<u>(515,301)</u>
Net Cash from Operating Activities	<u>1,926,396</u>	<u>1,079,750</u>	<u>1,280,950</u>

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

Bank Overdraft limit	100,000	100,000
Credit Card limit	5,000	10,000
<b>Total Amount of Credit Unused</b>	<u>105,000</u>	<u>110,000</u>

**Loan Facilities**

Loan Facilities - Current	152,430	143,067
Loan Facilities - Non-Current	175,444	327,874
<b>Total Facilities in Use at Balance Date</b>	<u>327,874</u>	<u>470,941</u>

<b>Unused Loan Facilities at Balance Date</b>	<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 2012**

**12. 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 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 2012 is \$44,409,539 with the Council's share of this liability being \$1,076,186. 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 2012, is \$1,800,000 with the Council's share of this liability being \$39,240.

<b>13. CAPITAL AND LEASING COMMITMENTS</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Finance Lease Commitments</b>		
Nil		
<b>(b) Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the accounts Payable:		
- not later than one year		
Konica Minolta	7,182	7,182
Isis Capital	4,826	6,435
Canon Finance	4,597	5,516
- later than one year but not later than five years		
Konica Minolta		7,182
Isis Capital		4,826
Canon Finance		4,597
- later than five years		
	<u>16,605</u>	<u>35,738</u>
<b>(c) Capital Expenditure Commitments</b>		
Contracted for:		
- Federal Infrastructure Buildings	-	38,000
- Preston Point Road/Pier St Roundabout	237,246	-
- Leeuwin Boat Ramp & Car Park	650,000	-

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**14. JOINT VENTURE**

**(a) 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 six local governments namely Cities of 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 2011 was

	<b>2012</b>	<b>2011</b>
Amount of Interest	\$ 27,912	29,088
Cost/profit sharing ratio	2.18%	2.18%

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 2012 (as calculated by the SMRC);

	<b>2012</b>	<b>2011</b>
Share of Equity	\$ 146,036	263,716
Cost/profit sharing ratio	2.42%	2.42%

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 2011-2012 by the Council is \$122,955 and this expenditure is reflected in Council's financial statements as an operating expense.

**(b) 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 2012 was:

	<b>2012</b>	<b>2011</b>
Share of Equity	\$ 22,743	30,639
Cost/profit sharing ratio	6.68%	7.09%



**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

Governance	5,278,422	5,432,962
Health	26,758	28,016
Education and Welfare	1,020,723	717,948
Housing	263,209	274,182
Community Amenities	1,291,579	1,334,181
Recreation and Culture	5,133,661	5,159,209
Transport	10,782,041	9,983,462
Other Property and Services	922,416	757,260
Unallocated	-	-
	<u>24,718,809</u>	<u>23,687,220</u>

<b>16. FINANCIAL RATIOS</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Current Ratio	0.98	0.68	2.40
Untied Cash to Unpaid Trade Creditors Ratio	0.68	1.52	5.80
Debt Ratio	7.62%	8.90%	10.24%
Debt Service Ratio	2.03%	2.25%	2.40%
Gross Debt to Revenue Ratio	3.90%	6.20%	8.40%
Gross Debt to			
Economically Realisable Assets Ratio	2.70%	3.90%	4.80%
Rate Coverage Ratio	61.70%	63.70%	64.70%
Outstanding Rates Ratio	0.80%	0.59%	2.47%

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
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 2012**

**17. TRUST FUNDS**

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

	Balance 1-Jul-11 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-12 \$
Garfield	10,778	621	-	11,399
Transport Tramway Funds	182,165	10,500	-	192,665
Nomination Deposits	55	4	-	59
Planning Deposits	-	102,500	-	102,500
Mooring Pen Bonds	65,650	9,950	-	75,600
Other Bonds	51,875	330	-	52,205
Footpath Bonds	473,888	23,930	-	497,818
	<u>784,411</u>	<u>147,835</u>	<u>0</u>	<u>932,246</u>

**18. DISPOSALS OF ASSETS - 2011/12 FINANCIAL YEAR**

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Ford Mondeo Hatch 1CTF225	5,496	20,000	14,545	20,000	9,049	-
Toyota Camry Altise	-	18,063	-	16,000	-	(2,063)
Ford Utility 1CXS 744	9,134	11,106	11,136	15,000	2,002	3,894
Ford Focus 1DFC 082	9,913	13,190	11,136	15,000	1,223	1,810
Toyota Hilux HACC 1DTJ 953	-	-	7,273	-	7,273	-
Toyota Coaster Bus 1ALI 284	-	-	9,092	-	9,092	-
Mitsubishi Rosa Bus 1 BDJ 161	38,731	-	20,909	-	(17,822)	-
Mitsubishi Fuso 1DTY 125	-	16,517	24,550	17,000	24,550	483
Iseki Ride on Mower	-	-	3,046	7,000	3,046	7,000
John Deere Mower	7,016	-	5,956	13,000	(1,060)	13,000
Nissan Navara Ute 1DRQ 549	9,854	5,000	15,455	14,000	5,601	9,000
Ford Ranger Ute 1CSS 464	7,128	5,000	15,000	14,000	7,872	9,000
John Deere JX80 Mower	512	-	300	-	(212)	-
Hyundai I30 Diesel 1DFC 008	10,315	13,628	13,626	15,000	3,311	1,372
Mower Trailer Works Crew	-	-	-	3,000	-	3,000
Auto Termal Binder	-	-	-	-	-	-
	<u>98,099</u>	<u>102,504</u>	<u>152,024</u>	<u>149,000</u>	<u>53,925</u>	<u>46,496</u>

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**19. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Principal 1-Jul-11 \$	New Loans \$	Principal Repayments		Principal 30-Jun-12		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Administration</b>								
Organisational Reform - 179	93,865		21,068	21,067	72,798	72,798	6,293	6,306
<b>Community Amenities</b>								
George St Beautification - 173	21,579		6,714	6,714	14,864	14,865	1,365	1,365
<b>Recreation and Culture</b>								
East Fremantle Bowling* - 167	11,754		4,490	4,490	7,263	7,264	536	652
Foreshore/Landscaping - 169	40,279		12,533	12,533	27,747	27,746	2,548	2,548
Playground Equipment - 171	23,018		7,162	7,162	15,856	15,856	1,456	1,456
Automatic Reticulation - 175	31,648		9,847	9,847	21,801	21,801	2,002	2,002
<b>Transport</b>								
Footpath Construction - 168	43,156		13,428	13,428	29,728	29,728	2,730	2,730
Construction Works - 170	19,563		6,088	6,088	13,475	13,475	1,238	1,238
Local Area Traffic Manage -174	14,386		4,476	4,476	9,910	9,910	910	910
Road & Footpath Construct -17	56,321		12,640	12,640	43,681	43,681	3,776	3,784
Road & Footpath Construct -18	48,248		23,530	23,530	24,718	24,718	1,906	1,960
Road & Footpath Construct -18	67,123		21,091	21,091	46,032	46,032	3,300	3,641
	470,940	0	143,067	143,066	327,873	327,874	28,060	28,592

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

All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2011/12

Council raised no new debenture loans during the 2011/12 financial year.

**19. INFORMATION ON BORROWINGS (Continued)**

**(c) Unspent Debentures**

Council had no unspent debenture loans as at 30 June 2012.

**(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 2011 and 30 June 2012 was \$Nil.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**20. RATING INFORMATION - 2011/12 FINANCIAL YEAR**

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
<b>Differential General Rate</b>											
Residential	6.4344	2,925	67,203,236	4,324,125	25,377		4,349,502	4,313,677			4,313,677
Commercial	9.3096	108	9,872,399	919,081			919,081	916,923			916,923
<b>Sub-Totals</b>		3,033	77,075,635	5,243,206	25,377	-	5,268,583	5,230,600	-	-	5,230,600
<b>Minimum Rates</b>											
Residential	759	185	1,851,130	140,415			140,415	141,174			141,174
Commercial							-				-
<b>Sub-Totals</b>		185	1,851,130	140,415	-	-	140,415	141,174	-	-	141,174
<b>Ex-Gratia Rates</b>							5,408,998				5,371,774
<b>Specified Area Rate (refer note 21)</b>											
<b>Discounts (refer note 23)</b>							5,408,998				5,371,774
<b>Totals</b>							5,408,998				5,371,774

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**20. RATING INFORMATION - 2011/12 FINANCIAL YEAR**

(b) Information on Surplus/(Deficit) Brought Forward	2012 (1 July 2011 Brought Forward) \$	2011 (30 June 2011 Carried Forward) \$
<b>Surplus/(Deficit) 1 July 2011 Brought Forward</b>	<b><u>576,287</u></b>	<b><u>576,287</u></b>
<b><u>Comprises:</u></b>		
Cash - Unrestricted	603,787	603,787
Cash - Restricted	3,485,269	3,485,269
Rates - Current	30,837	30,837
Sundry Debtors	106,728	106,728
Loans - Clubs/Institutions	4,490	4,490
Accrued Income	20,799	20,799
Less Provisions for Doubtful Debts	(600)	(600)
<b>Less:</b>		
Reserves - Restricted Cash		
- Staff Leave Reserve	(343,253)	(343,253)
- Plant Replacement Reserve	(315,912)	(315,912)
- Civil Building Reserve	(1,258,049)	(1,258,049)
- HACC Reserve	(147,594)	(147,594)
- Legal Funds Reserve	(110,790)	(110,790)
- Strategic Plan Reserve	(417,515)	(417,515)
- Office Reserve	(79,204)	(79,204)
Bonds & Deposits		
- Mooring Pen Bonds	(65,650)	(65,650)
- Other Bonds	(51,875)	(51,875)
- Footpath Bonds	(473,888)	(473,888)
Sundry Creditors	(394,422)	(394,422)
Accrued Interest on Debentures	(3,893)	(3,893)
Accrued Salaries and Wages	(12,978)	(12,978)
Current Employee Benefits Provision		-
<b>Surplus/(Deficit)</b>	<b><u>576,287</u></b>	<b><u>576,287</u></b>

**Difference:**

There was no difference between the Surplus/(Deficit) 1 July 2011 Brought Forward position used in the 2012 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2011 audited financial report.

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**21. SPECIFIED AREA RATE - 2011/12 FINANCIAL YEAR**

Council imposed no specified area rates during the 2011/12 financial year.

**22. SERVICE CHARGES - 2011/12 FINANCIAL YEAR**

Council imposed no service charges during the 2011/12 financial year.

**23. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS  
- 2011/12 FINANCIAL YEAR**

Council did not grant any discounts, incentives or concessions during the 2011/12 financial year.

**24. INTEREST CHARGES AND INSTALMENTS - 2011/12 FINANCIAL YEAR**

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		15,422	11,000
Pensioner Deferred Rates Interest			4,707	5,800
Interest on Instalments Plan	5.50%		33,343	30,000
Charges on Instalment Plan		\$15	36,630	35,000
			90,102	81,800

Ratepayers had the option of paying rates in four equal instalments, due on 24th August 2011, 26th October 2011, 28th December 2011 and 29th February 2012. Administration charges and interest applied for the final three instalments.

<b>25. FEES &amp; CHARGES</b>	<b>2012</b> \$	<b>2011</b> \$
Governance	16,477	13,316
General Purpose Funding	52,936	45,049
Law, Order, Public Safety	18,698	20,859
Health	23,167	3,644
Education and Welfare	23,255	23,115
Housing	73,629	70,045
Community Amenities	187,252	228,745
Recreation and Culture	211,509	213,881
Transport	275,843	285,917
Economic Services	162,726	142,060
Other Property and Services	396,405	15,336
	1,441,897	1,061,967

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 2012**

**26. GRANT REVENUE**

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

	2012	2011
	\$	\$
<b>By Nature and Type:</b>		
Operating Grants, Subsidies and Contributions	1,006,072	912,658
Non-Operating Grants, Subsidies and Contributions	433,044	515,301
	<u>1,439,116</u>	<u>1,427,959</u>
<b>By Program:</b>		
Governance		21,989
General Purpose Funding	339,276	213,942
Law, Order, Public Safety	15,600	20,720
Education and Welfare	774,906	741,501
Recreation and Culture	33,620	88,590
Transport	275,714	339,667
Other Property and Services		1,560
	<u>1,439,116</u>	<u>1,427,969</u>

**27. ELECTED MEMBERS REMUNERATION**

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

	2012	2012	2011
	\$	Budget	\$
		\$	
Meeting Fees	70,000	70,000	73,630
Mayoral Allowance	12,000	12,000	12,000
Deputy Mayoral Allowance	3,000	3,000	3,000
Members Telephone & Expenses	17,573	21,600	16,360
	<u>102,573</u>	<u>106,600</u>	<u>104,990</u>

**28. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

	2012	2011
	<u>40</u>	<u>32</u>

**29. MAJOR LAND TRANSACTIONS**

Council did not participate in any major land transactions during the 2011/12 financial year.

**30. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

Council did not participate in any trading undertakings or major trading undertakings during the 2011/12 financial year.



**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**31. 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	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	3,605,413	4,089,056	3,605,413	4,089,056
Receivables	720,684	257,287	720,684	257,287
	<u>4,326,097</u>	<u>4,346,343</u>	<u>4,326,097</u>	<u>4,346,343</u>
<b>Financial Liabilities</b>				
Payables	952,105	1,227,385	952,105	1,227,385
Borrowings	327,874	470,941	317,671	313,574
	<u>1,279,979</u>	<u>1,698,326</u>	<u>1,269,776</u>	<u>1,540,959</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  
FOR THE YEAR ENDED 30TH JUNE 2012**

**31. 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.

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Impact of a 10% (*) movement in interest rates on cash and investments:		
- Equity	58,396	58,062
- Statement of Comprehensive Income	58,396	58,062

**Notes:**

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

Recent market volatility has seen large market movements for certain types of investments.

Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	5,840	5,806
- Statement of Comprehensive Income	5,840	5,806

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**31. 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:

	<b>2012</b>	<b>2011</b>
<b>Percentage of Rates and Annual Charges</b>		
- Current	68.00%	74.00%
- Overdue	32.00%	26.00%
<b>Percentage of Other Receivables</b>		
- Current	71.00%	87.00%
- Overdue	29.00%	13.00%

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**31. FINANCIAL RISK MANAGEMENT (Continued)**  
**(c) Payables**  
**Borrowings**

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

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

	<u>2012</u>				<u>2011</u>					
	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	952,105			952,105	952,105				952,105	952,105
Borrowings	171,658	187,394		359,052	327,874				327,874	327,874
	<u>1,123,763</u>	<u>187,394</u>	<u>-</u>	<u>1,311,157</u>	<u>1,279,979</u>					
Payables	1,227,385			1,227,385	1,227,385				1,227,385	1,227,385
Borrowings	171,658	359,054		530,712	470,941				470,941	470,941
	<u>1,399,043</u>	<u>359,054</u>	<u>-</u>	<u>1,758,097</u>	<u>1,698,326</u>					

**TOWN OF EAST FREMANTLE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**31. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables  
Borrowings (Continued)**

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
<b>Year Ended 30 June 2012</b>								
Payables								
Borrowings								
<b>Fixed Rate</b>								
Debentures	24,719	186,677	116,478				327,874	6.65%
Weighted Average Effective Interest Rate	4.96%	6.58%	7.11%					
<b>Year Ended 30 June 2011</b>								
Payables								
Borrowings								
<b>Fixed Rate</b>								
Debentures		48,248	272,507	150,185			470,940	6.58%
Weighted Average Effective Interest Rate		4.96%	6.58%	7.11%				

**INDEPENDENT AUDITOR'S REPORT**

**TO: RATEPAYERS OF TOWN OF EAST FREMANTLE**

We have audited the financial report of the Town of East Fremantle, which comprises the Statement of Financial Position as at 30 June 2012 and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year ended on that date and a summary of significant accounting policies and other explanatory notes.

**Council's Responsibility for the Financial Report**

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 2012 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).

**Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the financial report of Town of East Fremantle for the year ended 30 June 2012 included on the Town of East Fremantle website. The Council is responsible for the integrity of the Town of East Fremantle website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

  
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MACRI PARTNERS  
CERTIFIED PRACTISING ACCOUNTANTS  
SUITE 2, 137 BURSWOOD ROAD  
BURSWOOD WA 6100

  
\_\_\_\_\_  
A MACRI  
PARTNER

PERTH  
DATED THIS 31<sup>ST</sup> DAY OF OCTOBER 2012.

