



TOWN OF
EAST FREMANTLE



**Annual Financial Statements
for the year ended
30 June 2013**

TOWN OF EAST FREMANTLE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

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**TOWN OF EAST FREMANTLE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

**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 2013 are in my opinion properly drawn up to present fairly the financial position of the Town of East Fremantle at 30th June 2013 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the

29th day of *November* 2013



Stuart Wearne
Chief Executive Officer

**TOWN OF EAST FREMANTLE
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2013**

	NOTE	2013 \$	2013 Budget \$	2012 \$
Revenue				
Rates	22	5,715,246	5,712,000	5,408,998
Operating Grants, Subsidies and Contributions	28	1,058,037	822,100	1,006,072
Fees and Charges	27	1,302,281	1,029,600	1,441,897
Interest Earnings	2(a)	275,761	326,700	380,689
Other Revenue		78,151	109,200	182,117
		<u>8,429,476</u>	<u>7,999,600</u>	<u>8,419,773</u>
Expenses				
Employee Costs		(2,511,494)	(2,495,600)	(2,362,545)
Materials and Contracts		(3,591,865)	(3,540,950)	(3,542,842)
Utility Charges		(368,472)	(355,150)	(344,253)
Depreciation on Non-Current Assets	2(a)	(888,242)	(795,500)	(803,950)
Interest Expenses	2(a)	(18,674)	(19,220)	(28,060)
Insurance Expenses		(271,519)	(270,400)	(239,275)
Other Expenditure		(142,498)	(106,000)	(158,902)
		<u>(7,792,764)</u>	<u>(7,582,820)</u>	<u>(7,479,827)</u>
		636,712	416,780	939,946
Non-Operating Grants, Subsidies and Contributions				
Non-Operating Grants, Subsidies and Contributions	28	854,562	1,050,000	433,044
Fair value adjustments to financial assets at fair value through profit or loss		(27,056)	0	0
Profit on Asset Disposals	20	55,078	49,000	73,019
Loss on Asset Disposal	20	(3,973)	0	(19,094)
		<u>878,611</u>	<u>1,108,000</u>	<u>486,969</u>
Net Result		1,515,323	1,515,780	1,426,915
Other Comprehensive Income		0	0	0
Total Comprehensive Income		<u>1,515,323</u>	<u>1,515,780</u>	<u>1,426,915</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 2013**

	NOTE	2013 \$	2013 Budget \$	2012 \$
Revenue				
Governance		57,691	21,400	50,704
General Purpose Funding		6,219,567	6,194,400	6,167,824
Law, Order, Public Safety		18,261	18,800	34,729
Health		11,097	8,300	23,167
Education and Welfare		735,867	683,400	674,037
Housing		74,172	74,600	73,629
Community Amenities		280,953	226,300	187,273
Recreation and Culture		599,068	283,800	251,228
Transport		281,236	302,700	388,103
Economic Services		125,860	134,900	162,673
Other Property and Services		28,574	51,000	406,406
	2(b)	<u>8,432,346</u>	<u>7,999,600</u>	<u>8,419,773</u>
Expenses				
Governance		(656,102)	(682,500)	(572,018)
General Purpose Funding		(215,754)	(225,700)	(178,594)
Law, Order, Public Safety		(141,113)	(169,700)	(140,322)
Health		(150,108)	(147,900)	(99,755)
Education and Welfare		(934,650)	(796,750)	(797,676)
Housing		(52,111)	(47,500)	(45,512)
Community Amenities		(2,101,115)	(2,092,100)	(1,880,971)
Recreation and Culture		(1,505,667)	(1,568,100)	(1,374,320)
Transport		(1,820,130)	(1,547,800)	(1,780,578)
Economic Services		(137,546)	(190,600)	(190,321)
Other Property and Services		(62,664)	(94,950)	(391,700)
	2(b)	<u>(7,776,960)</u>	<u>(7,563,600)</u>	<u>(7,451,767)</u>
Finance Costs				
Governance		(4,768)	(4,780)	(6,293)
Community Amenities		(897)	(900)	(1,365)
Recreation and Culture		(4,199)	(4,320)	(6,542)
Transport		(8,810)	(9,220)	(13,860)
	2(b)	<u>(18,674)</u>	<u>(19,220)</u>	<u>(28,060)</u>
Fair Value Adjustments to Financial Assets at Fair Value through Profit or Loss				
Other Property and Services		(27,056)	0	0
Non-Operating Grants, Subsidies and Contributions				
Education and Welfare			0	157,330
Community Amenities			13,000	
Recreation and Culture		825,000	825,000	
Transport		29,562	212,000	275,714
		<u>854,562</u>	<u>1,050,000</u>	<u>433,044</u>
Profit/(Loss) on Disposal of Assets				
Governance		(1,102)	2,000	9,049
Law, Order, Public Safety				2,002
Health				1,223
Education and Welfare				(1,497)
Community Amenities			1,000	
Recreation and Culture		40,336	39,000	39,837
Transport		11,871	7,000	
Economic Services				3,311
		<u>51,105</u>	<u>49,000</u>	<u>53,925</u>
Net Result		1,515,323	1,515,780	1,426,915
Other Comprehensive Income		0	0	0
Total Comprehensive Income		<u>1,515,323</u>	<u>1,515,780</u>	<u>1,426,915</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 2013**

	NOTE	2013 \$	2012 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	2,944,718	3,605,413
Trade and Other Receivables	4	213,981	627,770
TOTAL CURRENT ASSETS		<u>3,158,699</u>	<u>4,233,183</u>
NON-CURRENT ASSETS			
Other Receivables	4	86,846	92,914
Property, Plant and Equipment	5	7,928,572	7,834,547
Infrastructure	6	14,504,588	12,558,165
TOTAL NON-CURRENT ASSETS		<u>22,520,006</u>	<u>20,485,626</u>
TOTAL ASSETS		<u>25,678,705</u>	<u>24,718,809</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	392,952	952,105
Long Term Borrowings	9	133,876	152,430
Provisions	10	724,547	579,149
TOTAL CURRENT LIABILITIES		<u>1,251,375</u>	<u>1,683,684</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	41,568	175,444
Provisions	10	34,787	24,029
TOTAL NON-CURRENT LIABILITIES		<u>76,355</u>	<u>199,473</u>
TOTAL LIABILITIES		<u>1,327,730</u>	<u>1,883,157</u>
NET ASSETS		<u>24,350,975</u>	<u>22,835,652</u>
EQUITY			
Retained Surplus		22,065,993	19,822,622
Reserves - Cash Backed	11	2,284,982	3,013,030
Revaluation Surplus	12	0	0
TOTAL EQUITY		<u>24,350,975</u>	<u>22,835,652</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 2013**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2011		18,736,420	2,672,317	0	21,408,737
Restated Balance		18,736,420	2,672,317	0	21,408,737
Comprehensive Income					
Net Result		1,426,915	0	0	1,426,915
Changes on Revaluation of Non-Current Assets	12	0	0	0	0
Total Comprehensive Income		1,426,915	0	0	1,426,915
Reserve Transfers		(340,713)	340,713	0	0
Balance as at 30 June 2012		19,822,622	3,013,030	0	22,835,652
Comprehensive Income					
Net Result		1,515,323	0	0	1,515,323
Changes on Revaluation of Non-Current Assets	12	0	0	0	0
Total Other Comprehensive Income		1,515,323	0	0	1,515,323
Reserve Transfers		728,048	(728,048)	0	0
Balance as at 30 June 2013		22,065,993	2,284,982	0	24,350,975

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 2013**

	NOTE	2013 \$	2013 Budget \$	2012 \$
Cash Flows From Operating Activities				
Receipts				
Rates		5,681,453	5,712,000	5,393,233
Operating Grants, Subsidies and Contributions		1,058,037	822,100	1,006,072
Fees and Charges		1,990,641	1,054,600	1,194,999
Interest Earnings		275,761	326,700	380,689
Goods and Services Tax		644,278	291,000	584,625
Other Revenue		75,876	60,200	190,687
		<u>9,726,046</u>	<u>8,266,600</u>	<u>8,750,305</u>
Payments				
Employee Costs		(2,342,291)	(2,495,600)	(2,308,097)
Materials and Contracts		(4,797,734)	(3,527,470)	(3,531,528)
Utility Charges		(368,472)	(355,150)	(344,253)
Insurance Expenses		(271,519)	(270,400)	(239,275)
Interest expenses		(18,674)	(19,220)	(28,060)
Goods and Services Tax		(247,813)	(242,000)	(213,794)
Other Expenditure		(142,498)	(106,000)	(158,902)
		<u>(8,189,001)</u>	<u>(7,015,840)</u>	<u>(6,823,909)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>1,537,045</u>	<u>1,250,760</u>	<u>1,926,396</u>
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment		(664,830)	(2,043,000)	(834,870)
Payments for Construction of Infrastructure		(2,309,372)	(2,544,700)	(1,312,023)
Transfer of Trust Cash from Municipal Non-cash Contribution		0	0	(591,413)
Non-Operating Grants, Subsidies and Contributions		854,562	1,050,000	433,044
Proceeds from Sale of Plant & Equipment		69,562	87,000	152,034
Net Cash Provided By (Used In) Investing Activities		<u>(2,050,078)</u>	<u>(3,450,700)</u>	<u>(2,271,462)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(152,430)	(152,430)	(143,067)
Proceeds from Self Supporting Loans		4,768	4,770	4,490
Proceeds from New Debentures		0	1,200,000	0
Net Cash Provided By (Used In) Financing Activities		<u>(147,662)</u>	<u>1,052,340</u>	<u>(138,577)</u>
Net Increase (Decrease) in Cash Held		(660,695)	(1,147,600)	(483,643)
Cash at Beginning of Year		3,605,413	3,605,453	4,089,056
Cash and Cash Equivalents at the End of the Year	13(a)	<u><u>2,944,718</u></u>	<u><u>2,457,853</u></u>	<u><u>3,605,413</u></u>

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

**TOWN OF EAST FREMANTLE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2013**

	NOTE	2013 Actual \$	2013 Budget \$	2012 Actual \$
Revenue				
Governance		504,321	23,400	59,753
General Purpose Funding		57,691	482,400	758,826
Law, Order, Public Safety		18,261	18,800	36,731
Health		11,097	8,300	24,390
Education and Welfare		735,867	683,400	849,006
Housing		74,172	74,600	73,629
Community Amenities		280,953	240,300	187,273
Recreation and Culture		1,464,404	1,147,800	291,065
Transport		322,669	521,700	663,817
Economic Services		125,860	134,900	165,984
Other Property and Services		28,574	51,000	406,364
		<u>3,623,869</u>	<u>3,386,600</u>	<u>3,516,838</u>
Expenses				
Governance		(661,972)	(687,280)	(578,311)
General Purpose Funding		(242,810)	(225,700)	(178,594)
Law, Order, Public Safety		(141,113)	(169,700)	(140,322)
Health		(150,108)	(147,900)	(99,755)
Education and Welfare		(934,650)	(796,750)	(816,812)
Housing		(52,111)	(47,500)	(45,512)
Community Amenities		(2,102,012)	(2,093,000)	(1,882,335)
Recreation and Culture		(1,509,866)	(1,572,420)	(1,380,861)
Transport		(1,828,941)	(1,557,020)	(1,794,438)
Economic Services		(137,546)	(190,600)	(190,321)
Other Property and Services		(62,664)	(94,950)	(391,660)
		<u>(7,823,793)</u>	<u>(7,582,820)</u>	<u>(7,498,921)</u>
Net Result Excluding Rates		(4,199,924)	(4,196,220)	(3,982,083)
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
Initial Recognition of Assets Due to Change to Regulations				
- Plant & Equipment		27,056	0	0
- Intangibles				
(Profit)/Loss on Asset Disposals	20	(51,105)	(49,000)	(53,925)
Movement in Deferred Pensioner Rates (Non-Current)		3,573	0	17,851
Movement in Employee Benefit Provisions		(93,863)	0	0
Depreciation and Amortisation on Assets	2(a)	888,242	795,500	803,950
Capital Expenditure and Revenue				
Purchase Land and Buildings		(380,191)	(1,707,000)	(173,930)
Purchase Infrastructure Assets - Roads		(2,309,372)	(2,544,700)	(1,312,023)
Purchase Plant and Equipment		(198,920)	(226,000)	(660,939)
Purchase Furniture and Equipment		(85,719)	(110,000)	0
Proceeds from Disposal of Assets	20	69,562	87,000	152,024
Repayment of Debentures	21	(152,430)	(152,430)	(143,067)
Proceeds from New Debentures	21	0	1,200,000	0
Self-Supporting Loan Principal Income		4,768	4,770	4,769
Transfers to Reserves (Restricted Assets)	11	(1,256,234)	(1,172,100)	(1,059,713)
Transfers from Reserves (Restricted Assets)	11	1,984,282	2,251,700	719,000
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	297,199	167,000	576,287
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	262,170	60,520	297,199
Total Amount Raised from General Rate	22(a)	<u>(5,715,246)</u>	<u>(5,712,000)</u>	<u>(5,408,998)</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 2013**

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

(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 19 to these financial statements.

(c) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to the ATO, is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flows.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand 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

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

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

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 completion of development. Finance costs and holding charges incurred after development is completed are expensed.

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

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

Mandatory Requirement to Revalue Non-Current Assets

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

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

(a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and

(b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -

(i) that are plant and equipment; and

(ii) that are -

(I) land and buildings; or

(II) infrastructure;

and

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

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

Council has commenced the process of adopting Fair Value in accordance with the Regulations.

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

Land Under Control

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

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

Whilst they were initially recorded at cost, fair value at the date of acquisition was deemed cost as per AASB 116.

Consequently, these assets were initially recognised at cost but revalued along with other items of Land and Buildings at 30 June 2013.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

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.

Revaluation

Revalued assets are carried at their fair value being the price that would be received to sell the asset, in an orderly transaction between market participants at the measurement date.

Revalued assets are carried at their fair value being the price that would be received to sell the asset, in an orderly transaction between market participants at the measurement date.

For land and buildings, fair value will be determined based on the nature of the asset class. For land and non-specialised buildings, fair value is determined on the basis of observable open market values of similar assets, adjusted for conditions and comparability at their highest and best use (Level 2 inputs in the fair value hierarchy).

With regards to specialised buildings, fair value is determined having regard for current replacement cost and both observable and unobservable costs. These include construction costs based on recent contract prices, current condition (observable Level 2 inputs in the fair value hierarchy), residual values and remaining useful life assessments (unobservable Level 3 inputs in the fair value hierarchy).

For infrastructure and other asset classes, fair value is determined to be the current replacement cost of an asset (Level 2 inputs in the fair value hierarchy) 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 (Level 3 inputs in the fair value hierarchy).

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.

In addition, the amendments to the Financial Management Regulations mandating the use of Fair Value, imposes a further minimum of 3 years revaluation requirement. As a minimum, all assets carried at a revalued amount, will be revalued at least every 3 years.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Transitional Arrangement

During the time it takes to transition the carrying value of non-current assets from the cost approach to the fair value approach, the Council may still be utilising both methods across differing asset classes.

Those assets carried at cost will be carried in accordance with the policy detailed in the *Initial Recognition* section as detailed above.

Those assets carried at fair value will be carried in accordance with the *Revaluation* methodology section as detailed above.

Early Adoption of AASB 13 - Fair Value Measurement

Whilst the new accounting standard in relation to fair value, *AASB 13 - Fair Value Measurement* does not become applicable until the end of the year ended 30 June 2014 (in relation to Council), given the legislative need to commence using Fair Value methodology for this reporting period, the Council chose to early adopt AASB 13 (as allowed for in the standard).

As a consequence, the principles embodied in *AASB 13 - Fair Value Measurement* have been applied to this reporting period (year ended 30 June 2013).

Due to the nature and timing of the adoption (driven by legislation), the adoption of this standard has had no effect on previous reporting periods.

Land under Roads

In Western Australia, all land under roads is Crown Land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB1051 - Land Under Roads and the fact Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

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

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

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

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.

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

Buildings	40 years (2.5%)
IT Equipment	5 years (20%)
Furniture and Equipment	10 years (10%)
Plant and Equipment - Heavy Fleet	8 years (12.5%)
Plant and Equipment - Light Fleet	5 years (20%)
Plant and Equipment - Other	5 years (20%)
Infrastructure	Various

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

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

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

Capitalisation Threshold

Expenditure on items of equipment under \$2,500 is not capitalised. Rather, it is recorded on an asset inventory listing.

(h) Intangible Assets

Easements

Due to legislative changes, Easements are required to be recognised as assets.

They are initially recognised at cost and have an indefinite useful life.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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.

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. They are subsequently measured at fair value with changes to carrying amount being included in profit or loss.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments 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. Gains or losses are recognised in profit or loss.

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

(iv) Available-for-sale financial assets

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

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 available-for-sale financial assets are classified as non-current.

(v) Financial liabilities

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

Impairment

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired.

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

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

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.

(j) 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.

(k) Trade and Other Payables

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

(l) 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 those 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.

(m) Borrowing Costs

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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.

(o) 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.

(p) Investments in Associates

Associates are entities in which the Council has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Council. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Council's share of net assets of the associate entity. In addition, Council's share of the profit or loss of the associate entity is included in the Council's profit or loss.

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

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Joint Venture

The Council's interest in a joint venture has been disclosed by way of Note 16.

The Council's interest in joint venture entities are either recorded by note or the use of the equity method of accounting (refer to Note 1(p) for details) in the financial report.

When the Council contributes assets to the joint venture or if the Council purchases assets from the joint venture, only the portion of gain or loss not attributable to the Council's share of the joint venture shall be recognised. The Council recognises the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

(r) Rates, Grants, Donations and Other Contributions

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

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(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.

(s) 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.

(t) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where 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.

(u) Rounding Off Figures

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Comparative Figures

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

When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, a statement of financial position as at the beginning of the earliest period will be disclosed.

(w) Budget Comparative Figures

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Title and Topic	Issued	Applicable (*)	Impact
(i) AASB 9 – Financial Instruments AASB 2012 – 6 Amendments to Australian Accounting Standards – Mandatory effective date of AASB 9 and Transition Disclosures	December 2009 September 2012	01 January 2013 Deferred AASB 9 until 1 January 2015	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 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 effect on the Council (refer (i) above).

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(iii) 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).
(iv) 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 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(v) 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 & 1049]	September 2011	01 July 2013	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 effects presentation only and is not expected to significantly impact the Council.
(vi) AASB 119 - Employee Benefits, AASB 2011 - 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2012-8 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.
(vii) AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 32]	June 2012	01 January 2013	Principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This Standard is not expected to significantly impact on the Council's financial statements.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(viii) AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	June 2012	01 January 2014	This Standard adds application guidance to AASB 132: <i>Financial Instruments: Presentation</i> to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.
(ix) AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, 101, 116, 132, 134 and Interpretation 2]	June 2012	01 January 2013	This Standard is not expected to significantly impact on the Council’s financial statements. Outlines changes to the various standards and interpretations as listed. These topics are not currently relevant to Council, nor are they expected to be in the future. As a consequence, this Standard is not expected to significantly impact on the Council’s financial statements.
(x) AASB 2012-10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments. [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Interpretation 12]	December 2012	01 January 2013	Mainly consequential changes relating to transition guidance. It is not expected to have a significant impact on Council.

(*) 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 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) 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

These new and revised standards were:

AASB 2010 – 8
AASB 2011 - 3
AASB 2011 - 13

The standards adopted had a minimal effect on the accounting and reporting practices of the Council as they were either largely editorial in

The Council also chose to early adopt AASB 13 – *Fair Value Measurement* as allowed for in the standard. For further details with respect to this

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

2. REVENUE AND EXPENSES

	2013 \$	2012 \$	
(a) Net Result			
The Net Result includes:			
(i) Charging as an Expense:			
Auditors Remuneration			
- Audit of the financial report	20,338	14,000	
- Other Services	2,400	3,355	
Depreciation			
Buildings	291,504	287,485	
Furniture and Equipment	10,467	17,473	
Plant and Equipment	223,322	170,567	
Infrastructure	362,949	328,425	
	<u>888,242</u>	<u>803,950</u>	
Interest Expenses (Finance Costs)			
Debentures (refer Note 21(a))	18,674	28,060	
	<u>18,674</u>	<u>28,060</u>	
(ii) Crediting as Revenue:			
	2013 \$	2013 Budget \$	2012 \$
Interest Earnings			
Investments			
- Reserve Funds	118,877	124,000	147,639
- Other Funds	66,169	150,000	179,578
Other Interest Revenue (refer note 26)	90,715	52,700	53,472
	<u>275,761</u>	<u>326,700</u>	<u>380,689</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

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 Bushfire Prevention Services and Animal (Dog) Control services.
Activities: Supervision, Enforcement of Bushfire Act and 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

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 2013

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions		Opening	Received (+)	Expended (#)	Closing	Received (+)	Expended (#)	Closing
Grant/Contribution	Function/ Activity	Balance (*) 1-Jul-11 \$	2011/12 \$	2011/12 \$	Balance (*) 30-Jun-12 \$	2012/13 \$	2012/13 \$	Balance 30-Jun-13 \$
Town Hall Structural Report	4	1,389		(1,389)	0	15,208	(15,208)	0
Grants Commission	3		221,042	(221,042)	0	228,506	(228,506)	0
Grip on Graffiti	5	16,026	15,600	(16,026)	15,600	20,000	(35,600)	0
Cat Act Grant	5					2,935	(2,761)	174
Neighbourhood Watch	5					400	(400)	0
HACC Operating Grant	8	0	617,576	(617,576)	0	652,086	(652,086)	0
Council for the Aged	8					270	(270)	0
HACC Capital Grant	8	156,745	157,330	(299,475)	14,600		(10,000)	4,600
Dept of Environ Recycle Grant	10					40,000		40,000
Federal Infrastructure Funding	11	44,297		(44,297)	0			0
Swan River Trust Erosion	11	3,082		(3,082)	0			0
Dept Sport EF Oval Redevelopme	11					50,000	0	50,000
East Fremantle Fiesta	11		18,620	(18,620)	0	20,007	(20,007)	0
Kidsport Grant	11		15,000	(845)	14,155		(5,317)	8,838
Leewuin Boat Ramp	11					825,000	(825,000)	0
Bus Stop Accessibility	11					6,290	(6,290)	0
Main Roads Hoon Grant	12		23,749	(23,749)	0			0
MR Blackspot PP Road R/bout	12		133,719		133,719		(133,719)	0
Main Roads Petra St	12		118,246	(118,246)	0	29,562	(29,562)	0
Main Roads Direct Grant	12					12,452	(12,452)	0
Synergy Street Lighting	12					9,883	(9,883)	0
Total		221,539	1,320,882	(1,364,347)	178,074	1,912,599	(1,987,061)	103,612

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 2013**

	2013	2012
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	659,736	592,384
Restricted	<u>2,284,982</u>	<u>3,013,029</u>
	<u><u>2,944,718</u></u>	<u><u>3,605,413</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Staff Leave Reserve	456,652	433,152
Plant Replacement Reserve	239,326	227,274
Civil Building Reserve	756,450	959,278
HACC Reserve	162,819	156,150
Legal Funds Reserve	122,220	117,214
Strategic Plan Reserve	366,652	788,464
Office Reserve	73,693	108,423
Arts & Sculpture Reserve	3,558	45,000
Unspent Grants	<u>103,612</u>	<u>178,074</u>
	<u><u>2,284,982</u></u>	<u><u>3,013,029</u></u>
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	77,745	43,952
Sundry Debtors	126,873	567,420
Accrued Income ESL	7,469	12,229
Loans - Clubs/Institutions	2,494	4,769
Less Provision for Doubtful Debts	<u>(600)</u>	<u>(600)</u>
	<u><u>213,981</u></u>	<u><u>627,770</u></u>
Non-Current		
Rates Outstanding - Pensioners	86,846	90,419
Loans - Clubs/Institutions	<u>0</u>	<u>2,495</u>
	<u><u>86,846</u></u>	<u><u>92,914</u></u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

	2013 \$	2012 \$
5. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings		
Freehold Land at:		
- Cost	<u>490,000</u>	<u>490,000</u>
	490,000	490,000
Land Under Control at:		
- Independent Valuation 2013	0	0
Total Land	<u>490,000</u>	<u>490,000</u>
Buildings at:		
- Cost	11,613,530	11,233,340
Less Accumulated Depreciation	<u>(5,014,228)</u>	<u>(4,722,725)</u>
Total Buildings	6,599,302	6,510,615
Total Land and Buildings	<u>7,089,302</u>	<u>7,000,615</u>
Furniture and Equipment - Management Valuation 2013	315,144	404,555
Less Accumulated Depreciation	<u>(202,988)</u>	<u>(363,678)</u>
	112,156	40,877
Plant and Equipment - Management Valuation 2013	1,839,907	1,802,973
Less Accumulated Depreciation	(1,085,738)	(1,009,918)
Impairment (losses)	<u>(27,056)</u>	<u>0</u>
	727,113	793,055
	<u>7,928,572</u>	<u>7,834,547</u>

Furniture and Equipment

The Town's Furniture and Equipment was revalued by management at 30 June 2013 having regard to open market value of similar assets, adjusted for condition and comparability (Level 3 inputs in the fair value hierarchy).

The revaluation resulted in no change in the net value of the Town's furniture and equipment.

Plant and Equipment:

The Town's Plant and Equipment was revalued by management at 30 June 2013 having regard to open market value of similar assets, adjusted for condition and comparability (Level 2 inputs in the fair value hierarchy).

The revaluation resulted in an overall decrease of \$27,056 in the net value of the Town's plant and equipment.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

5a. 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 (Level 2) \$	Non- Specialised Buildings (Level 2) \$	Specialised Buildings (Level 3) \$	Total Buildings \$	Total Land and Buildings \$	Plant and Equipment (Level 2) \$	Furniture and Equipment (Level 3) \$	Total \$
Balance as at the beginning of the year	490,000	673,864	5,836,750	6,510,614	7,000,614	793,055	40,877	7,834,546
Additions	0	79,137	301,054	380,191	380,191	198,920	85,719	664,830
(Disposals)	0	0	0	0	0	(161,988)	(175,130)	(337,118)
Depreciation (Disposals)						147,503	171,157	318,660
Depreciation (Expense)	0	(29,319)	(262,184)	(291,503)	(291,503)	(223,322)	(10,466)	(525,291)
Impairment (losses)						(27,056)		(27,056)
Carrying amount at the end of year	490,000	723,682	5,875,620	6,599,302	7,089,302	727,112	112,157	7,928,572

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

	2013	2012
	\$	\$
6. INFRASTRUCTURE		
Roads - Cost	8,698,818	8,932,680
Less Accumulated Depreciation	<u>(1,864,256)</u>	<u>(1,789,858)</u>
	6,834,562	7,142,822
Reserves - Cost	785,189	785,189
Less Accumulated Depreciation	<u>(185,140)</u>	<u>(166,117)</u>
	600,049	619,072
Rivers - Cost	181,011	181,011
Less Accumulated Depreciation	<u>(68,827)</u>	<u>(64,508)</u>
	112,184	116,503
Footpaths - Cost	3,351,085	2,604,764
Less Accumulated Depreciation	<u>(618,987)</u>	<u>(439,614)</u>
	2,732,098	2,165,150
Signs - Cost	85,453	85,453
Less Accumulated Depreciation	<u>(76,617)</u>	<u>(76,310)</u>
	8,836	9,143
Irrigation - Cost	359,564	359,564
Less Accumulated Depreciation	<u>(189,720)</u>	<u>(174,095)</u>
	169,844	185,469
Parks - Cost	1,224,532	879,661
Less Accumulated Depreciation	<u>(252,176)</u>	<u>(220,890)</u>
	972,356	658,771
Car Parks - Cost	1,961,586	598,646
Less Accumulated Depreciation	<u>(138,188)</u>	<u>(122,356)</u>
	1,823,398	476,290
Drainage - Cost	1,345,488	1,270,366
Less Accumulated Depreciation	<u>(156,886)</u>	<u>(135,424)</u>
	1,188,602	1,134,942
Bus Shelters - Cost	65,793	51,813
Less Accumulated Depreciation	<u>(3,134)</u>	<u>(1,810)</u>
	62,659	50,003
	<u>14,504,588</u>	<u>12,558,165</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

6a. 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	7,142,824	2,165,149	1,134,941	1,503,184	116,503	495,564	12,558,165
Additions	252,983	259,475	75,122	344,871	0	1,376,920	2,309,371
Depreciation (Expense)	(185,780)	(67,991)	(21,462)	(65,933)	(4,319)	(17,463)	(362,948)
Carrying amount at the end of year	<u>7,210,027</u>	<u>2,356,633</u>	<u>1,188,601</u>	<u>1,782,122</u>	<u>112,184</u>	<u>1,855,021</u>	<u>14,504,588</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

	2013	2012
	\$	\$
7. INTANGIBLES		
Easements have an indefinite useful life and no amortisation applies.		
The Town has three drainage easements, which are considered to be non market type assets which cannot be readily traded in the open market. Such assets are held by authorities for their value in use.		
Valuation of the subject easements in gross is less than the capitalisation threshold, therefore Council has treated these items as a disclosure note in accordance with accounting policy and regulation.		
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	275,933	872,126
Accrued Interest on Debentures	49,786	30,190
Accrued Salaries and Wages	62,836	49,789
Contract Retention	4,397	0
	<u>392,952</u>	<u>952,105</u>
9. LONG-TERM BORROWINGS		
Current		
Secured by Floating Charge Debentures	<u>133,876</u>	<u>152,430</u>
	<u>133,876</u>	<u>152,430</u>
Non-Current		
Secured by Floating Charge Debentures	<u>41,568</u>	<u>175,444</u>
	<u>41,568</u>	<u>175,444</u>

Additional detail on borrowings is provided in Note 21.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

10. PROVISIONS	2013	2012
	\$	\$
Analysis of Total Provisions		
Current	724,547	579,149
Non-Current	34,787	24,029
	<u>759,334</u>	<u>603,178</u>
	Provision for Annual Leave \$	Provision for Long Service Leave \$
	\$	\$
Opening balance as at 1 July 2012	292,201	310,977
Additional provisions	74,216	81,940
Balance at 30 June 2013	<u>366,417</u>	<u>392,917</u>
	\$	Total \$

	2013	2013	2012
	\$	Budget \$	\$
11. RESERVES - CASH BACKED			
(a) Plant Replacement Reserve			
Opening Balance	227,274	227,274	315,912
Amount Set Aside / Transfer to Reserve	145,052	145,800	117,362
Amount Used / Transfer from Reserve	(133,000)	(139,000)	(206,000)
	<u>239,326</u>	<u>234,074</u>	<u>227,274</u>
(b) Staff Leave Reserve			
Opening Balance	433,153	433,153	343,253
Amount Set Aside / Transfer to Reserve	23,499	15,700	89,900
Amount Used / Transfer from Reserve	0	0	0
	<u>456,652</u>	<u>448,853</u>	<u>433,153</u>
(c) Office Reserve			
Opening Balance	108,423	108,423	79,204
Amount Set Aside / Transfer to Reserve	50,989	50,600	29,219
Amount Used / Transfer from Reserve	(85,719)	(110,000)	0
	<u>73,693</u>	<u>49,023</u>	<u>108,423</u>
(d) Legal Costs Reserve			
Opening Balance	117,214	117,214	110,790
Amount Set Aside / Transfer to Reserve	5,006	5,100	6,424
Amount Used / Transfer from Reserve	0	0	0
	<u>122,220</u>	<u>122,314</u>	<u>117,214</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

11. RESERVES - CASH BACKED (Continued)

(e) HACC Reserve

Opening Balance	156,150	156,150	147,594
Amount Set Aside / Transfer to Reserve	6,669	6,800	8,556
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>162,819</u>	<u>162,950</u>	<u>156,150</u>
(f) Strategic Plan Reserve			
Opening Balance	788,464	788,464	417,515
Amount Set Aside / Transfer to Reserve	786,477	770,800	483,949
Amount Used / Transfer from Reserve	<u>(1,208,289)</u>	<u>(1,360,700)</u>	<u>(113,000)</u>
	<u>366,652</u>	<u>198,564</u>	<u>788,464</u>
(g) Civic Building Reserve			
Opening Balance	959,278	959,278	1,258,049
Amount Set Aside / Transfer to Reserve	177,363	175,300	101,229
Amount Used / Transfer from Reserve	<u>(380,191)</u>	<u>(507,000)</u>	<u>(400,000)</u>
	<u>756,450</u>	<u>627,578</u>	<u>959,278</u>
(h) Arts & Sculpture Reserve			
Opening Balance	45,000	45,000	0
Amount Set Aside / Transfer to Reserve	1,922	2,000	45,000
Amount Used / Transfer from Reserve	<u>(43,364)</u>	<u>0</u>	<u>0</u>
	<u>3,558</u>	<u>47,000</u>	<u>45,000</u>
(i) Committed Funds Reserve			
Opening Balance	178,074	178,074	0
Amount Set Aside / Transfer to Reserve	59,257	0	178,074
Amount Used / Transfer from Reserve	<u>(133,719)</u>	<u>(135,000)</u>	<u>0</u>
	<u>103,612</u>	<u>43,074</u>	<u>178,074</u>
TOTAL CASH BACKED RESERVES	<u><u>2,284,982</u></u>	<u><u>1,933,430</u></u>	<u><u>3,013,030</u></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.

Plant Replacement Reserve

- to be used for the purchase and replacement of major plant.

Staff Leave Reserve

- to be used for the purpose of accumulated leave obligations.

Office Equipment Reserve

- to be used for the purpose of IT Infrastructure and other office equipment.

Unspent Grants & Restricted Cash Reserve

- to be used for the retention of unspent specific purpose grants and loans.

HACC Reserve

- to be used for the retention of unspent HACC program funds.

Legal Funds Reserve

- to be used for the purpose of funding legal requirements.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

11. RESERVES - CASH BACKED (Continued)

Civic Buildings Reserve

- to be used for the purpose of maintaining Civic Buildings.

Strategic Plan & Infrastructure Reserve

- to be used for the purpose of maintaining infrastructure and the provision of strategic plans.

Arts & Sculpture Reserve

- to be used for the provision of art and sculpture.

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

12. RESERVES - ASSET REVALUATION

	2013	2012
	\$	\$
Asset revaluation reserves have not arisen on revaluation of the following classes of non-current assets:		
Plant & Equipment (see Note 5)	0	0
Furniture & Equipment (see Note 5)	0	0

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

13. 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:

	2013 \$	2013 Budget \$	2012 \$
Cash and Cash Equivalents	<u>2,944,718</u>	<u>2,457,853</u>	<u>3,605,413</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net Result	1,515,323	1,515,780	1,426,915
Depreciation	888,242	795,500	803,950
(Profit)/Loss on Sale of Asset	(51,105)	(49,000)	(53,925)
(Increase)/Decrease in Receivables	415,089	25,000	(467,886)
Increase/(Decrease) in Payables	(559,154)	13,480	627,365
Increase/(Decrease) in Employee Provisions	156,156	0	23,021
Grants/Contributions for the Development of Assets	(854,562)	(1,050,000)	(433,044)
Non-Current Assets recognised due to changes in legislative requirements	27,056	0	0
Net Cash from Operating Activities	<u>1,537,045</u>	<u>1,250,760</u>	<u>1,926,396</u>
(c) Undrawn Borrowing Facilities			
Credit Standby Arrangements			
Bank Overdraft limit	100,000		100,000
Credit Card limit	5,000		5,000
Total Amount of Credit Unused	<u>105,000</u>		<u>105,000</u>
Loan Facilities			
Loan Facilities - Current	133,876		152,430
Loan Facilities - Non-Current	41,568		175,444
Total Facilities In Use at Balance Date	<u>175,444</u>		<u>327,874</u>
Unused Loan Facilities at Balance Date	<u>0</u>		<u>0</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

14. CONTINGENT LIABILITIES

Regional Resource Recovery Centre-Lending Facility

(a) Council is a participant in the Regional Resource Recovery Centre. The Project was established through the Southern Metropolitan Regional Council (SMRC) and involves the Cities of Canning, Cockburn, Fremantle, Melville & Town of East Fremantle in the development of a waste processing plant and a recycling & 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, prior to the City of Canning repaying \$12.155 million.

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 (based on census figures each 5 years) over the life of the loan, currently at 3.30%. The SMRC Loan Liability as at 30 June 2013 is \$32,148,907 with the Council's share of this liability being \$1,060,914. It is estimated that once fully drawn, Council's annual contribution towards the repayment of interest and principal will be estimated at \$119,000 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 2013, is \$1,800,000 with the Council's share of this liability being \$52,560.

15. CAPITAL AND LEASING COMMITMENTS

	2013	2012
	\$	\$
(a) Finance Lease Commitments		
Nil		
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year		
Konica Minolta	0	7,182
Isis Capital	0	4,826
Canon Finance	0	4,597
	0	16,605
(c) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects		
Preston Point Rd/Pier St Roundabout	0	237,246
Leeuwin Boat Ramp & Car Park	0	650,000

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

16. JOINT VENTURE

(a) SOUTHERN METROPOLITAN REGIONAL COUNCIL

General Funds (SMRC)

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 the Cities of Cockburn, Fremantle, Melville, Rockingham, Kwinana & Town of East Fremantle Council's share in the \$1,620,002 net assets of the SMRC (excluding the RRRC project) as at 30 June 2013 was

	2013	2012
Interest in net Assets	\$ 47,304	27,912
Cost/profit sharing ratio	2.92%	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 established the venture 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 \$14,881,966 (excl Canning) shared equity of the Joint Venture as at 30 June 2013 (as calculated by the SMRC);

	2013	2012
Share of Equity	\$ 491,106	146,036
Cost/profit sharing ratio	3.30%	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 four participating Local Governments. Council's portion of the Capital repayment commenced in the 2001-2002 financial year and will continue for a period of 20 years. The contribution for 2012-2013 by the Council was \$124,712 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 Melville, Cockburn, Fremantle, Rockingham & Town of Kwinana. Council's share in the net assets of the South West Group as at 30 June 2013 was:

	2013	2012
Share of Equity	\$ 13,472	22,743
Cost/profit sharing ratio	7.38%	6.68%

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2013	2012
	\$	\$
Governance	4,504,842	5,278,422
Health	35,141	26,758
Education and Welfare	912,886	1,020,723
Housing	288,377	263,209
Community Amenities	1,249,346	1,291,579
Recreation and Culture	5,274,108	5,133,661
Transport	12,449,609	10,782,041
Other Property and Services	964,396	922,416
Unallocated	0	0
	<u>25,678,705</u>	<u>24,718,809</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

18. FINANCIAL RATIOS	2013	2012	2011
Current Ratio	1.10	0.98	0.68
Asset Sustainability Ratio	3.35	2.67	2.66
Debt Service Cover Ratio	9.32	10.67	7.36
Operating Surplus Ratio	0.09	0.13	0.07
Own Source Revenue Coverage Ratio	0.95	1.00	0.94

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

19. 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-12 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-13 \$
Development	611,717	37,503	(12,739)	636,481
Mooring Pens	75,600	-	(2,649)	72,951
Other	52,205	-	(168)	52,037
Transport Tramway Funds*	192,665	10,384	-	203,049
Unclaimed	59	250	-	309
	<u>932,246</u>	<u>48,137</u>	<u>(15,556)</u>	<u>964,827</u>

*Held in accordance with the The City of Fremantle and Town of East Fremantle Trust Funds

20. DISPOSALS OF ASSETS - 2012/13 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Administration						
Toyota Camry 1DFA 935	9,061	13,000	11,932	15,000	2,871	2000
Pentium Pro Server FE149	-	-	-	-	-	-
Printing & Photos FE1	1,191	-	-	-	(1,191)	-
Various Office Equipment	-	-	-	-	-	-
Computer Upgrade FE232	2,340	-	-	-	(2,340)	-
Laptop Notebook FE248	442	-	-	-	(442)	-
Community Services						
Nissan Dualis	-	16,000	-	17,000	-	1000
Parks & Gardens						
Ford Ranger Single Cab	681	3,000	11,364	10,000	10,683	7,000
Tilt/Tipper Truck 1CEH 265	-	-	29,100	32,000	29,100	32,000
Various Equipment	-	-	553	-	553	-
Transport						
Ford Ranger Dual Cab 1CXS 8	4,742	6,000	14,318	13,000	9,576	7,000
Tandem Axle Trailer 1TDZ 068	-	-	2,295	-	2,295	-
	<u>18,457</u>	<u>38,000</u>	<u>69,562</u>	<u>87,000</u>	<u>51,105</u>	<u>49,000</u>

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1-Jul-12 \$	New Loans \$	Principal Repayments		Principal Outstanding		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Administration								
Organisational Reform - 179	72,798		22,591	22,590	50,207	50,209	4,768	4,780
Community Amenities								
George St Beautification - 173	14,865		7,183	7,180	7,682	7,684	897	900
Recreation & Culture								
*East Fremantle Bowling - 167	7,264		4,770	4,770	2,494	2,493	251	370
Foreshore/ Landscaping - 169	27,746		13,406	13,410	14,340	14,337	1,675	1,670
Playground Equipment - 171	15,856		7,661	7,660	8,195	8,195	957	960
Automatic Reticulation - 175	21,801		10,534	10,530	11,267	11,271	1,316	1,320
Transport								
Footpath Construction -168	29,728		14,363	14,360	15,365	15,369	1,795	1,790
Construction Works - 170	13,475		6,510	6,510	6,965	6,967	814	810
Local Area Traffic Manage - 17	9,910		4,788	4,790	5,122	5,120	598	600
Road & Footpath Const - 178	43,681		13,557	13,560	30,124	30,119	2,861	2,870
Road & Footpath Const - 18	24,718		24,718	24,720	0	0	714	770
Road & Footpath Const - 184	46,032		22,349	22,350	23,683	23,680	2,028	2,380
	327,874	0	152,430	152,430	175,444	175,444	18,674	19,220

(*) Self supporting loan financed by payments from third parties.
All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2012/13

Council raised no new debenture loans during the 2012/13 financial year.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

21. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Debentures

Council had no unspent debenture loans as at 30 June 2013.

(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 2012 and 30 June 2013 was \$Nil.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

22. RATING INFORMATION - 2012/13 FINANCIAL YEAR

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential General Rate											
Residential	6.7561	2,930	64,955,145	4,583,541	15,824		4,599,365	4,583,000	15,000		4,598,000
Commercial	9.7752	108	9,918,983	969,601			969,601	968,000			968,000
Sub-Totals		3,038	74,874,128	5,553,142	15,824	0	5,568,966	5,551,000	15,000	0	5,566,000
Minimum Rates											
Residential	795	184	4,729,821	146,280			146,280	146,000			146,000
Commercial	981	184	4,729,821	146,280	0	0	146,280	146,000	0	0	146,000
Sub-Totals							5,715,246				5,712,000
Total Amount Raised from General Rate							5,715,246				5,712,000
Total Rates							5,715,246				5,712,000

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

22. RATING INFORMATION - 2012/13 FINANCIAL YEAR (Continued)

(b) Information on Surplus/(Deficit) Brought Forward	2013 (30 June 2013 Carried Forward) \$	2013 (1 July 2012 Brought Forward) \$	2012 (30 June 2012 Carried Forward) \$
Surplus/(Deficit) - Rate Setting Statement	<u>262,170</u>	<u>297,199</u>	<u>297,199</u>
<u>Comprises:</u>			
Cash - Unrestricted	659,736	592,384	592,384
Cash - Restricted	2,284,982	3,013,029	3,013,029
Rates - Current	77,745	43,952	43,952
Sundry Debtors	126,873	567,420	567,420
Loans - Clubs/Institutions	2,494	4,769	4,769
Accrued Income	7,469	12,229	12,229
Less Provision for Doubtful Debts	(600)	(600)	(600)
Less:			
Reserves - Restricted Cash			
- Staff Leave Reserve	(456,652)	(433,153)	(433,153)
- Plant Replacement Reserve	(239,326)	(227,273)	(227,273)
- Civil Building Reserve	(756,450)	(959,278)	(959,278)
- HACC Reserve	(162,819)	(156,150)	(156,150)
- Legal Funds Reserve	(122,220)	(117,214)	(117,214)
- Strategic Plan Reserve	(366,652)	(788,464)	(788,464)
- Office Reserve	(73,693)	(108,423)	(108,423)
- Arts Reserve	(3,558)	(45,000)	(45,000)
- Committed Funds Reserve	(103,612)	(178,074)	(178,074)
Sundry Creditors	(275,933)	(872,126)	(872,126)
Accrued Interest on Debentures	(486)	(1,040)	(1,040)
Accrued Salaries and Wages	(62,836)	(49,789)	(49,789)
Retention Monies Held	(4,397)	0	0
Current Employee Benefits Provision	(724,547)	0	0
Less Staff Leave Reserve	456,652		
Surplus/(Deficit)	<u>262,170</u>	<u>297,199</u>	<u>297,199</u>

Difference:

There was no difference between the Surplus/(Deficit) 1 July 2012 Brought Forward position used in the 2013 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2012 audited financial report.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

23. SPECIFIED AREA RATE - 2012/13 FINANCIAL YEAR

Council imposed no specified area rates during the 2012/13 financial year.

24. SERVICE CHARGES - 2012/13 FINANCIAL YEAR

Council imposed no service charges during the 2012/13 financial year.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2012/13 FINANCIAL YEAR**

Council did not grant any discounts, incentives or concessions during the 2012/13 financial year.

26. INTEREST CHARGES AND INSTALMENTS - 2012/13 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		20,891	15,000
Pensioner Deferred Rates Interest			3,606	4,700
Interest on Instalments Plan	5.50%		31,463	33,000
Charges on Instalment Plan		15	34,755	37,000
			90,715	89,700

Ratepayers had the option of paying rates in four equal instalments, due on 4th October 2012, 6th December 2012, 7th February 2013 and 4th April 2013. Administration charges and interest applied for the final three instalments.

27. FEES & CHARGES	2013 \$	2012 \$
Governance	1,680	16,477
General Purpose Funding	76,462	52,936
Law, Order, Public Safety	14,926	18,698
Health	9,097	23,167
Education and Welfare	82,984	23,255
Housing	74,172	73,629
Community Amenities	214,663	187,252
Recreation and Culture	492,876	211,509
Transport	195,451	275,843
Economic Services	125,918	162,726
Other Property and Services	14,052	396,405
	1,302,281	1,441,897

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 2013**

28. GRANT REVENUE

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

	2013	2012
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	1,058,037	1,006,072
Non-Operating Grants, Subsidies and Contributions	854,562	433,044
	<u>1,912,599</u>	<u>1,439,116</u>
By Program:		
Governance	15,208	0
General Purpose Funding	228,506	339,276
Law, Order, Public Safety	3,335	15,600
Education and Welfare	652,356	774,906
Community Amenities	66,290	0
Recreation and Culture	895,007	33,620
Transport	51,897	275,714
	<u>1,912,599</u>	<u>1,439,116</u>

29. ELECTED MEMBERS REMUNERATION

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

	2013	2013	2012
	\$	Budget	\$
		\$	
Meeting Fees	70,000	70,000	70,000
Mayoral Allowance	12,000	12,000	12,000
Deputy Mayoral Allowance	3,000	3,000	3,000
Members Telephone & Expenses	20,836	21,800	17,573
	<u>105,836</u>	<u>106,800</u>	<u>102,573</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

	2013	2012
	<u>37</u>	<u>40</u>

31. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2012/13 financial year

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2012/13 financial year.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

33. FINANCIAL RISK MANAGEMENT

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2013 \$	2012 \$	2013 \$	2012 \$
Financial Assets				
Cash and cash equivalents	2,944,718	3,605,413	2,944,718	3,605,413
Receivables	300,827	720,684	300,827	720,684
	<u>3,245,545</u>	<u>4,326,097</u>	<u>3,245,545</u>	<u>4,326,097</u>
Financial Liabilities				
Payables	392,952	952,105	392,952	952,105
Borrowings	175,444	327,874	170,504	317,671
	<u>568,396</u>	<u>1,279,979</u>	<u>563,456</u>	<u>1,269,776</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio of Council and has an investment policy which 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. This risk is considered low given that Council investments are held in term deposits.

Cash and investments are also subject to interest rate risk – the risk that movements in interest rates could affect returns. This risk is ever present with movements in the federal reserve cash rate.

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.

	2013	2012
	\$	\$
Impact of a 10% (*) movement in interest rates on cash and investments:		
- Equity	38,627	58,396
- Statement of Comprehensive Income	38,627	58,396

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	3,863	5,840
- Statement of Comprehensive Income	3,863	5,840

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

34. 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 to avoid additional charges.

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:

	2013	2012
Percentage of Rates and Annual Charges		
- Current	65.00%	68.00%
- Overdue	35.00%	32.00%
Percentage of Other Receivables		
- Current	77.00%	71.00%
- Overdue	23.00%	29.00%

TOWN OF EAST FREMANTLE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2013

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

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

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

	2013	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	392,952				392,952	392,952
Borrowings	133,876	41,568			175,444	175,444
	<u>526,828</u>	<u>41,568</u>		<u>0</u>	<u>568,396</u>	<u>568,396</u>
	2012					
Payables	952,105				952,105	952,105
Borrowings	152,430	175,444			327,874	327,874
	<u>1,104,535</u>	<u>175,444</u>		<u>0</u>	<u>1,279,979</u>	<u>1,279,979</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

33. 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
	\$	\$	\$	\$	\$	\$	\$	%
Year Ended 30 June 2013								
Payables								
Borrowings								
Fixed Rate								
Debentures	133,876	41,568					175,444	6.83%
Weighted Average								
Effective Interest Rate	6.59%	7.11%						
Year Ended 30 June 2012								
Payables								
Borrowings								
Fixed Rate								
Debentures	152,430	133,876	41,568				327,874	6.65%
Weighted Average								
Effective Interest Rate	4.96%	6.58%	7.11%					

**TOWN OF EAST FREMANTLE
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2013**

RATIO INFORMATION

The following information relates to the ratios which only require attestation that they have been checked and are supported by verifiable information. Notwithstanding this information still does form part of the audited financial report.

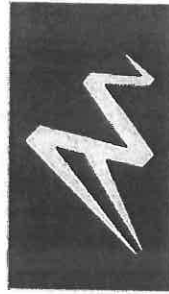
	2013	2012	2011
Asset Consumption Ratio	87%	N/A	N/A
Asset Renewal Funding Ratio	N/A 1	N/A	N/A

The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

NB -In keeping with amendments to Local Government (Financial Management) Regulation 50, comparatives for the two preceding years (being 2012 and 2011) have not been reported as financial information is not available.

N/A 1 - The Town has not completed fair value activities in all of the assets classes at 30 June 2013 so is unable to calculate this ratio.



Anderson Munro & Wyllie

CHARTERED ACCOUNTANTS

Unit 8 / 7 Hector Street, Osborne Park WA 6017

PO Box 1357, Osborne Park WA 6916

Phone: (08) 9445 9955 Fax: (08) 9445 9966

ABN 59 125 425 274

Website: www.amwaudit.com.au

Liability limited by a scheme approved under Professional Standards Legislation

INDEPENDENT AUDIT REPORT TO THE ELECTORS OF THE TOWN OF EAST FREMANTLE

Scope

We have audited the financial report of Town of East Fremantle for the year ended 30 June 2013. The financial report comprises the Statement by Chief Executive Officer, Statements of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Rate Setting Statement and accompanying notes to the financial statements.

The Council is responsible for the preparation of a financial report which provides a true and fair view of the financial performance and position of the council in accordance with the Local Government Act 1995, and Regulations. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for accounting policies and estimates inherent to the financial report.

Audit Approach

We conducted an independent audit of the financial report in order to express an opinion on it to the electors of the Town of East Fremantle. Our audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1995, and Regulations, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and of their performance which is represented by the results of operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining on a test basis, information to provide evidence, supporting the amounts and disclosures in the financial report.
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the directors.

Whilst we considered the effectiveness of managements internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.



Independence

Anderson Munro & Wyllie are independent of the Town of East Fremantle, and have met the independence requirements of Australian professional ethical pronouncements and the Local Government Act 1995.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial statements of the Town of East Fremantle are properly drawn up:

- a) So as to give a true and fair view of the state of affairs of the Shire as at 30 June 2013 and the results of its operations and cash flows for the year then ended;
- b) In accordance with the requirements of the Local Government Act 1995; and
- c) In Accordance with Applicable Australian Accounting Standards.

Other Matters

During the course of the audit we became aware of the following instance where the Council did not comply with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

- a) FM Reg 50(1) – all seven ratios were not included in the financial report due to the Town not having completed fair value activities in all of the assets classes at 30 June 2013 so is unable to calculate the Asset Renewal Funding ratio.

Statutory Compliance

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

- a) Except for the issues identified in the above 'Other Matters' paragraph we did not during the course of the audit, become aware of any other instances where the Council did not comply with the requirements of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996.
- b) There were no material or significant adverse trends in financial position or financial management practices revealed during the course of our audit.
- c) We have obtained all necessary information and explanations in relation to our audit.
- d) Our audit procedures were all satisfactorily completed.
- e) In relation to the Supplementary Ratio Information presented at page 55 of this report, we have reviewed the calculations as presented and in our opinion these are:
 - i. Based on verifiable information; and
 - ii. Reasonable assumptions.

Dated the 29th day of November 2013 in Perth, Western Australia

BILLY-JOE THOMAS
Director

ANDERSON MUNRO & WYLLIE

ANDERSON MUNRO & WYLLIE
Chartered Accountants