

TOWN OF EAST FREMANTLE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

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TOWN OF EAST FREMANTLE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

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 2008 are in my opinion properly drawn up to present fairly the financial position of the Town of East Fremantle at 30th June 2008 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 regulations under that Act.

Signed on the 22nd day of September 2008.


STUART WEARNE
Chief Executive Officer

TOWN OF EAST FREMANTLE

INCOME STATEMENT

BY FUNCTION/ACTIVITY

FOR THE YEAR ENDED 30TH JUNE 2008

	NOTE	2008 \$	2008 Budget \$	2007 \$
REVENUES FROM ORDINARY ACTIVITIES				
Governance		52,281	18,200	32,328
General Purpose Funding		4,602,653	4,459,143	4,231,531
Law, Order, Public Safety		27,637	18,260	17,433
Health		17,413	1,440	4,629
Education and Welfare		582,217	565,804	573,201
Housing		50,454	47,370	44,170
Community Amenities		293,751	294,827	279,989
Recreation and Culture		188,566	194,829	170,526
Transport		484,223	652,057	292,683
Economic Services		148,462	148,060	242,364
Other Property and Services		91,401	141,863	79,281
	2 (a)	6,539,058	6,541,853	5,968,135
EXPENSES FROM ORDINARY ACTIVITIES EXCLUDING BORROWING COSTS EXPENSE				
Governance		(488,348)	(489,650)	(486,808)
General Purpose Funding		(202,176)	(183,456)	(194,270)
Law, Order, Public Safety		(106,026)	(129,751)	(112,680)
Health		(87,710)	(99,502)	(84,559)
Education and Welfare		(621,728)	(638,857)	(607,373)
Housing		(33,908)	(30,914)	(36,159)
Community Amenities		(1,232,399)	(1,478,901)	(1,471,043)
Recreation & Culture		(1,067,798)	(1,255,642)	(1,004,418)
Transport		(1,284,698)	(1,423,919)	(1,167,125)
Economic Services		(154,501)	(145,220)	(185,047)
Other Property and Services		(179,311)	(181,331)	(197,168)
	2 (a)	(5,458,603)	(6,057,143)	(5,546,650)
BORROWING COSTS EXPENSE				
Governance		(11,433)	(11,442)	(12,509)
Community Amenities		(4,969)	(5,076)	(6,424)
Recreation & Culture		(14,561)	(14,784)	(17,182)
Transport		(31,226)	(31,585)	(35,295)
	2 (a)	(62,189)	(62,887)	(71,410)
NET RESULT		1,018,266	421,823	350,075

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

TOWN OF EAST FREMANTLE

BALANCE SHEET

AS AT 30TH JUNE 2008

	NOTE	2008 \$	2007 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	3,394,478	2,240,942
Trade and Other Receivables	4	98,916	140,791
TOTAL CURRENT ASSETS		<u>3,493,394</u>	<u>2,381,733</u>
NON-CURRENT ASSETS			
Other Receivables	4	106,852	119,397
Property, Plant and Equipment	5	7,919,277	8,147,541
Infrastructure	6	9,336,654	9,189,190
TOTAL NON-CURRENT ASSETS		<u>17,362,783</u>	<u>17,456,128</u>
TOTAL ASSETS		<u>20,856,177</u>	<u>19,837,861</u>
CURRENT LIABILITIES			
Trade and Other Payables	7	1,338,243	1,293,588
Borrowings - Current portion	8	137,891	134,874
Provisions	9	334,414	170,861
TOTAL CURRENT LIABILITIES		<u>1,810,548</u>	<u>1,599,323</u>
NON-CURRENT LIABILITIES			
Borrowings - Long term portion	8	731,277	869,167
Provisions	9	17,386	90,671
TOTAL NON-CURRENT LIABILITIES		<u>748,663</u>	<u>959,838</u>
TOTAL LIABILITIES		<u>2,559,211</u>	<u>2,559,161</u>
NET ASSETS		<u>18,296,966</u>	<u>17,278,700</u>
EQUITY			
Retained Surplus		17,040,445	17,040,445
Reserves - Cash/Investment Backed	10	1,256,521	238,255
TOTAL EQUITY		<u>18,296,966</u>	<u>17,278,700</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 2008

	NOTE	2008 \$	2007 \$
RETAINED SURPLUS			
Balance as at 1 July 2007		17,040,445	16,481,563
Net Result		1,018,266	350,075
Transfer from/(to) Reserves		<u>(1,018,266)</u>	<u>208,807</u>
Balance as at 30 June 2008		<u>17,040,445</u>	<u>17,040,445</u>
 RESERVES - CASH/INVESTMENT BACKED			
Balance as at 1 July 2007		238,255	447,062
Amount Transferred (to)/from Retained Surplus		<u>1,018,266</u>	<u>(208,807)</u>
Balance as at 30 June 2008	10	<u>1,256,521</u>	<u>238,255</u>
 TOTAL EQUITY			
		<u>18,296,966</u>	<u>17,278,700</u>

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

TOWN OF EAST FREMANTLE

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2008

	NOTE	2008 \$	2008 Budget \$	2007 \$
Cash Flows From Operating Activities				
Receipts				
Rates		4,150,776	4,085,220	3,807,133
Grants and Subsidies - operating		753,484	734,716	696,300
Contributions, Reimbursements & Donations		32,078	64,324	141,748
Fees and Charges		1,269,041	927,712	1,007,523
Interest Earnings		301,841	147,804	165,780
Goods and Services Tax		333,329	0	310,901
Other		173,063	188,690	148,864
		<u>7,013,612</u>	<u>6,148,466</u>	<u>6,278,249</u>
Payments				
Employee Costs		(2,080,068)	(2,072,077)	(1,807,062)
Materials and Contracts		(2,583,632)	(2,834,375)	(2,659,255)
Utilities (gas, electricity, water, etc)		(244,173)	(223,643)	(236,435)
Insurance		(168,619)	(197,156)	(146,408)
Interest		(62,189)	(62,887)	(71,410)
Goods and Services Tax		(122,392)	0	(91,767)
Other		(79,341)	(79,700)	(104,785)
		<u>(5,340,414)</u>	<u>(5,469,838)</u>	<u>(5,117,122)</u>
Net Cash Provided By (Used In)				
Operating Activities	12(b)	<u>1,673,198</u>	<u>678,628</u>	<u>1,161,127</u>
Cash Flows from Investing Activities				
Payments for Development of Land Held for Resale				
Payments for Purchase of Property, Plant & Equipment		(232,064)	(361,701)	(368,804)
Payments for Construction of Infrastructure		(394,974)	(1,413,750)	(441,285)
Grants/Contributions for the Development of Assets		161,968	374,799	54,050
Proceeds from Sale of Plant & Equipment		71,340	80,000	79,308
		<u>161,968</u>	<u>374,799</u>	<u>54,050</u>
Net Cash Provided By (Used In)				
Investing Activities		<u>(393,730)</u>	<u>(1,320,652)</u>	<u>(676,731)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(134,874)	(134,873)	(131,844)
Proceeds from Self Supporting Loans		8,942	13,615	13,615
		<u>8,942</u>	<u>13,615</u>	<u>13,615</u>
Net Cash Provided By (Used In)				
Financing Activities		<u>(125,932)</u>	<u>(121,258)</u>	<u>(118,229)</u>
Net Increase (Decrease) in Cash Held		1,153,536	(763,282)	366,167
Cash at Beginning of Year		2,240,942	2,248,860	1,874,775
Cash and Cash Equivalents				
at the End of the Year	12(a)	<u><u>3,394,478</u></u>	<u><u>1,485,578</u></u>	<u><u>2,240,942</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 2008

	NOTE	2008 \$	2008 Budget \$
REVENUES			
Governance		52,281	18,200
General Purpose Funding		485,717	373,923
Law, Order, Public Safety		27,637	18,260
Health		17,413	1,440
Education and Welfare		582,217	565,804
Housing		50,454	47,370
Community Amenities		293,751	294,827
Recreation and Culture		188,566	194,829
Transport		484,223	652,057
Economic Services		148,462	148,060
Other Property and Services		91,402	141,863
		2,422,123	2,456,633
EXPENSES			
Governance		(499,781)	(501,092)
General Purpose Funding		(202,176)	(183,456)
Law, Order, Public Safety		(106,026)	(129,751)
Health		(87,710)	(99,502)
Education and Welfare		(621,728)	(638,857)
Housing		(33,908)	(30,914)
Community Amenities		(1,237,368)	(1,483,977)
Recreation & Culture		(1,082,359)	(1,270,426)
Transport		(1,315,924)	(1,455,504)
Economic Services		(154,501)	(145,220)
Other Property and Services		(179,311)	(181,331)
		(5,520,792)	(6,120,030)
Adjustments for Cash Budget Requirements:			
Non-Cash Expenditure and Revenue			
(Profit)/Loss on Asset Disposals		(13,622)	(11,724)
Movement in Accrued Interest		(699)	0
Movement in Deferred Pensioner Rates (Non-Current)		8,798	0
Movement in Accrued Salaries and Wages		(3,931)	0
Movement in Employee Benefit Provisions		90,269	0
Depreciation and Amortisation on Assets		650,120	643,428
Capital Expenditure and Revenue			
Purchase Land Held for Resale			
Purchase Land and Buildings		(52,625)	(124,701)
Purchase Infrastructure Assets - Roads		(394,974)	(1,413,750)
Purchase Plant and Equipment		(172,895)	(200,000)
Purchase Furniture and Equipment		(6,544)	(37,000)
Purchase of Investments			
Proceeds from Disposal of Investments			
Proceeds from Disposal of Assets		71,340	80,000
Repayment of Debentures		(134,874)	(134,873)
Proceeds from New Debentures		0	0
Self-Supporting Loan Principal Income		8,942	13,615
Transfers to Reserves (Restricted Assets)		(1,099,266)	(127,304)
Transfers from Reserves (Restricted Assets)		81,000	81,000
ADD Estimated Surplus/(Deficit) July 1 B/Fwd		890,463	809,486
LESS Estimated Surplus/(Deficit) June 30 C/Fwd		939,770	0
Amount Required to be Raised from Rates	21	(4,116,937)	(4,085,220)

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 2008

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

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

Critical Accounting Estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of this experience and other factors combine to form the basis of making judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

(b) The Local Government Reporting Entity

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

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

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

(c) Goods and Services Tax

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

(d) Cash and Cash Equivalents

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

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

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Trade and Other Receivables

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

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

(f) Inventories

General

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

Land Held for Resale

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

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

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

(g) Fixed Assets

Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed includes the cost of all materials, direct labour and variable and fixed overheads.

Revaluation

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

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

Land under Roads

Land under roads is excluded from infrastructure in accordance with the transition arrangements available under AASB 1045 and in accordance with legislative requirements.

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Depreciation of Non-Current Assets

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

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

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

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investments and Other Financial Assets

Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

Recognition and derecognition

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

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

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investments and Other Financial Assets (Continued)

Subsequent measurement

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

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

Impairment

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

(j) Estimation of Fair Value

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

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

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

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

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

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment

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

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

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

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

(l) Trade and Other Payables

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

(m) Employee Benefits

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

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

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

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

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

(n) Interest-bearing Loans and Borrowings

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

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

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

Borrowing Costs

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

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Provisions

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

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

(p) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the company, are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

(q) Interest in Southern Metropolitan Regional Council

Information about this interest is set out in Note 15.

(r) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

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

(s) Superannuation

The Town of East Fremantle contributes to the Local Government Superannuation Scheme, the Occupational Superannuation Fund, and other Choice Funds which are selected by employees. All funds are defined contribution schemes.

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

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Rounding Off Figures

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

(u) Comparative Figures

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New Accounting Standards and Interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2008.

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

Title and Topic	Issued	Applicable (*)	Impact
(i) AASB-I 12 Service Concession Arrangements, AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 12, revised UIG 4 Determining whether an Arrangement contains a Lease and revised UIG 129 Service Concession Arrangements:	February 2007	1 January 2008	Nil – Council is not party to any Service Concession Arrangements.
(ii) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8	February 2007	1 January 2009	Nil – The Standard is not applicable to not-for-profit entities.
(iii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	June 2007	1 January 2009	Nil – The revised Standard has removed the option to expense all borrowing costs and, when adopted, will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Council as the council already capitalises borrowing costs relating to qualifying assets.
(iv) AASB-I 13 Customer Loyalty Programmes	August 2007	1 July 2008	Nil – Council has no Customer Loyalty Programmes.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New Accounting Standards and Interpretations (Continued)

Title and Topic	Issued	Applicable (*)	Impact
(v) AASB-I 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	August 2007	1 January 2008	Nil – The Interpretation provides guidance on the maximum amount that may be recognised as an asset in defined benefit plans. Council does not currently contribute to any defined benefit plans. Consequently, there is not expected to be any impact on the financial statements.
(vi) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101	September 2007 and December 2007	1 January 2009	Nil – The revised Standard requires the presentation of a Statement of comprehensive income and makes changes to the Statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If Council has made a prior period adjustment or has reclassified items in the financial statements, it is likely it will need to disclose a third balance sheet (Statement of financial position), being as at the beginning of the comparative period.
(vii) AASB 1049 Whole of Government and General Government Sector Financial Reporting	October 2007	1 July 2008(+)	Nil – The Standard is not applicable to Local Governments.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New Accounting Standards and Interpretations (Continued)

Title and Topic	Issued	Applicable (*)	Impact
(viii) AASB 1050 Administered Items: AASB 1051 Land Under Roads, AASB 1052 Disaggregated Disclosures, revised AASB 1004 Contributions, AASB 2007-9 Amendments to Australian Accounting Standards arising from the review of AAS 27, AAS 29 and AAS 31 and revised interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities	December 2007	1 July 2008(+)	<ul style="list-style-type: none"> • AASB 1050 is only applicable to Government departments and will have no impact on Council. • AASB 1051 will allow Council to recognise or not recognise land under roads acquired before 30 June 2008. Land under roads acquired after 30 June 2008 must be recognised. • AASB 1052 requires disclosure of financial information by function or activity. Council already provides this information so there will be no additional impact on the financial statements. • AASB 1004 requires contributions made to Council to be recognised at fair value when they are controlled and to be appropriately disclosed. Council already accounts for contributions in this manner so there will be no additional impact on the financial statements.

Notes:

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

(+) - Applicable to not-for-profit and/or public sector entities only.

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

2. REVENUES AND EXPENSES

2008 **2007**
\$ **\$**

(a) Result from Ordinary Activities

The Result from Ordinary Activities includes:

(i) Charging as an Expense:

Auditors Remuneration

- Audit	11,830	11,084
- Other Services	0	0
	11,830	11,084

Depreciation

Buildings	269,430	264,454
Furniture and Equipment	21,301	19,101
Plant and Equipment	111,880	129,988
Infrastructure Assets	247,509	237,471
	650,120	651,014

Interest Expenses

Debentures (<i>refer Note 20(a)</i>)	62,189	71,410
	62,189	71,410

2008	2008	2007
\$	Budget	\$
	\$	

(ii) Crediting as Revenue:

Interest Earnings

Investments		
- Reserve Funds	12,499	13,704
- Other Funds	219,374	110,000
Other Interest Revenue (<i>refer note 25</i>)	69,968	24,100
	301,841	147,804
		165,780

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

2. REVENUES AND EXPENSES	NOTE	2008 \$	2008 Budget \$	2007 \$
(b) By Nature or Type				
REVENUES FROM ORDINARY ACTIVITIES				
Rates	21	4,116,936	4,085,220	3,821,346
Grants and Subsidies	27	753,484	734,716	696,300
Contributions Reimbursements and Donations		32,078	64,324	141,748
Fees and Charges	26	1,135,022	927,712	924,667
Interest Earnings	2(a)	301,841	147,804	165,780
Other Revenue		173,063	188,690	148,864
		<u>6,512,424</u>	<u>6,148,466</u>	<u>5,898,705</u>
EXPENSES FROM ORDINARY ACTIVITIES				
Employee Costs		(2,166,420)	(2,072,077)	(1,890,302)
Materials and Contracts		(2,298,888)	(2,834,275)	(2,513,202)
Utilities		(244,173)	(223,643)	(236,435)
Depreciation	2(a)	(650,120)	(643,428)	(651,014)
Interest Expenses	2(a)	(62,189)	(62,887)	(71,410)
Insurance		(168,619)	(197,156)	(146,408)
Other Expenditure		(79,341)	(79,700)	(104,785)
		<u>(5,669,750)</u>	<u>(6,113,166)</u>	<u>(5,613,556)</u>
Grants and Subsidies - non-operating	27	161,968	374,799	54,050
Profit on Asset Disposals	19	26,634	18,488	13,128
Loss on Asset Disposals	19	(13,010)	(6,764)	(2,252)
NET RESULT		<u>1,018,266</u>	<u>421,823</u>	<u>350,075</u>

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

2. REVENUES AND EXPENSES (Continued)

(c) Statement of Objective

The Town of East Fremantle is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

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 Doctor and Dental Surgery facilities and Child Health Clinics.

EDUCATION AND WELFARE

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

HOUSING

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

Activities: Provision and maintenance of 5 houses

COMMUNITY AMENITIES

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

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

RECREATION AND CULTURE

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

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

TRANSPORT

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

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

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

2. REVENUES AND EXPENSES (Continued)

(c) Statement of Objective (Continued)

ECONOMIC SERVICES

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

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

OTHER PROPERTY & SERVICES

Objective: To provide other services etc not elsewhere included.

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

	2008	2007
	\$	\$
(d) Conditions Over Contributions		
Grants recognised as revenues in a previous reporting period which were not expended at the close of the previous reporting period (ie opening balances).		
Austlink Fortescue St	4,284	0
	4,284	0
Add:		
New grants which were recognised as revenues during the reporting period and which had not yet been fully expended by the contributor.		
Office Of Crime Prevention	11,200	
Federal Road Grant (Auslink) Fortescue St		4,284
Less:		
Grants which were recognised as revenues in a previous reporting period and which were expended in the current reporting period in the manner specified by the contributor.		
	0	0
Closing balances of unexpended grants	15,484	4,284
Comprises:		
Federal Road Grant (Auslink) Fortescue St	4,284	4,284
Office of Crime Prevention	11,200	0
	15,484	4,284

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

	2008	2007
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	1,191,932	1,168,563
Restricted	<u>2,202,546</u>	<u>1,072,379</u>
	<u><u>3,394,478</u></u>	<u><u>2,240,942</u></u>

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

Mooring Pens	59,200	59,200
Bonds	81,144	49,431
Footpaths	342,108	310,908
Staff Leave Reserve	129,710	123,244
Plant Replacement Reserve	52,712	22,530
Civic Building Reserve	397,331	92,480
HACC Reserve	23,466	0
Legal Funds Reserve	250,000	0
Strategic Plan Reserve	403,302	0
Unspent Grants	15,484	4,284
Nomination Deposits Trust	47	45
Tramway Trust	155,717	148,510
Trust Deposits (Left Bank & Garfield)	292,325	261,747
	<u>2,202,546</u>	<u>1,072,379</u>

4. TRADE AND OTHER RECEIVABLES

	\$	\$
Current		
Rates Outstanding	24,807	49,859
Loan Club & Organisations	3,747	8,942
Accrued Income ESL	9,824	18,016
Sundry Debtors	61,138	64,573
Less: Provision for Doubtful Debts	<u>(600)</u>	<u>(600)</u>
	<u><u>98,916</u></u>	<u><u>140,790</u></u>
Non-Current		
Rates Outstanding - Pensioners	86,891	95,689
Loans - Clubs/Institutions	<u>19,961</u>	<u>23,708</u>
	<u><u>106,852</u></u>	<u><u>119,397</u></u>

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

5. PROPERTY, PLANT AND EQUIPMENT

Land and Buildings - Cost	11,039,909	10,987,284
Less Accumulated Depreciation	<u>(3,599,320)</u>	<u>(3,329,890)</u>
	7,440,589	7,657,394
Furniture and Equipment - Cost	383,822	495,972
Less Accumulated Depreciation	<u>(308,918)</u>	<u>(401,472)</u>
	74,904	94,500
Plant and Equipment - Cost	1,556,772	1,561,590
Less Accumulated Depreciation	<u>(1,152,988)</u>	<u>(1,165,943)</u>
	403,784	395,647
	<u>7,919,277</u>	<u>8,147,541</u>

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

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

	<u>Land & Buildings \$</u>	<u>Furniture & Equipment \$</u>	<u>Plant & Equipment \$</u>	<u>Leased Plant & Equipment \$</u>	<u>Total \$</u>
Balance as at 1 July 2007	7,657,394	94,500	395,647		8,147,541
Additions	52,625	6,544	172,895		232,064
(Disposals)		(4,840)	(52,879)		(57,719)
Depreciation (Expense)	(269,430)	(21,301)	(111,879)		(402,610)
Balance as at 30 June 2008	<u>7,440,589</u>	<u>74,903</u>	<u>403,784</u>	<u>0</u>	<u>7,919,276</u>

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

	2008	2007
	\$	\$
6. INFRASTRUCTURE		
Roads at Cost	6,623,454	6,279,721
Less Accumulated Depreciation	<u>(1,174,375)</u>	<u>(1,044,144)</u>
	<u>5,449,079</u>	<u>5,235,577</u>
Reserves at Cost	785,189	780,689
Less Accumulated Depreciation	<u>(90,027)</u>	<u>(71,107)</u>
	<u>695,162</u>	<u>709,582</u>
Rivers at Cost	181,011	181,011
Less Accumulated Depreciation	<u>(47,232)</u>	<u>(42,913)</u>
	<u>133,779</u>	<u>138,098</u>
Paths at Cost	1,671,501	1,625,796
Less Accumulated Depreciation	<u>(266,182)</u>	<u>(233,587)</u>
	<u>1,405,319</u>	<u>1,392,209</u>
Signs at Cost	85,453	85,453
Less Accumulated Depreciation	<u>(68,962)</u>	<u>(61,341)</u>
	<u>16,491</u>	<u>24,112</u>
Irrigation at Cost	359,564	359,564
Less Accumulated Depreciation	<u>(111,599)</u>	<u>(95,975)</u>
	<u>247,965</u>	<u>263,589</u>
Parks at Cost	526,453	526,453
Less Accumulated Depreciation	<u>(129,787)</u>	<u>(108,039)</u>
	<u>396,666</u>	<u>418,414</u>
Car Parks at Cost	387,045	387,045
Less Accumulated Depreciation	<u>(85,254)</u>	<u>(77,512)</u>
	<u>301,791</u>	<u>309,533</u>
Drains at Cost	767,453	766,418
Less Accumulated Depreciation	<u>(77,051)</u>	<u>(68,341)</u>
	<u>690,402</u>	<u>698,077</u>
	<u><u>9,336,654</u></u>	<u><u>9,189,191</u></u>

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

6. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

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

	Streets & Roads \$	Footpaths \$	Drainage \$	Reserves Irrigation Parks \$	Rivers \$	Car parks Signs \$	Total \$
Balance as at 1 July 2007	5,235,577	1,392,209	698,076	1,391,585	138,098	333,645	9,189,190
Additions	343,733	45,705	1,035	4,500	0	0	394,973
Depreciation (Expense)	(130,231)	(32,595)	(8,711)	(56,291)	(4,319)	(15,362)	(247,509)
Balance as at 30 June 2008	<u>5,449,079</u>	<u>1,405,319</u>	<u>690,400</u>	<u>1,339,794</u>	<u>133,779</u>	<u>318,283</u>	<u>9,336,654</u>

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

	2008	2007
	\$	\$
7. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	343,520	334,228
Accruals	22,385	87,392
Accrued Salaries and Wages	41,797	45,728
Bonds & Deposits	482,452	415,937
Transport Tramway Trust	155,764	148,556
Trust Fund	292,325	261,747
	<u>1,338,243</u>	<u>1,293,588</u>
8. LONG-TERM BORROWINGS		
Current		
Debentures	<u>137,891</u>	<u>134,874</u>
	<u>137,891</u>	<u>134,874</u>
Non-Current		
Debentures	<u>731,277</u>	<u>869,167</u>
	<u>731,277</u>	<u>869,167</u>
Additional detail on borrowings is provided in Note 20.		
9. PROVISIONS		
Current		
Provision for Annual Leave	178,713	144,571
Provision for Long Service Leave	155,701	26,290
	<u>334,414</u>	<u>170,861</u>
Non-Current		
Provision for Long Service Leave	<u>17,386</u>	<u>90,671</u>
	<u>17,386</u>	<u>90,671</u>

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

	2008 \$	2008 Budget \$	2007 \$
10. RESERVES - CASH/INVESTMENT BACKED			
(a) Staff Leave Reserve			
Opening Balance	123,244	122,918	87,368
Amount Set Aside / Transfer to Reserve	6,465	5,874	35,876
Amount Used / Transfer from Reserve	0	0	0
	<u>129,709</u>	<u>128,792</u>	<u>123,244</u>
(b) Plant Reserve			
Opening Balance	22,530	22,529	29
Amount Set Aside / Transfer to Reserve	111,182	60,073	22,501
Amount Used / Transfer from Reserve	(81,000)	(81,000)	0
	<u>52,712</u>	<u>1,602</u>	<u>22,530</u>
(c) Civic Building Reserve			
Opening Balance	92,481	112,337	0
Amount Set Aside / Transfer to Reserve	304,851	57,757	139,151
Amount Used / Transfer from Reserve			(46,670)
	<u>397,332</u>	<u>170,094</u>	<u>92,481</u>
(d) Legal Costs Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	250,000	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>250,000</u>	<u>0</u>	<u>0</u>
(e) HACC Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	23,466	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>23,466</u>	<u>0</u>	<u>0</u>
(f) Strategic Plan Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	403,302	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>403,302</u>	<u>0</u>	<u>0</u>
TOTAL CASH BACKED RESERVES	<u>1,256,521</u>	<u>300,488</u>	<u>238,255</u>

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

10. RESERVES - CASH/INVESTMENT BACKED (Continued)

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

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

Staff Leave Reserve

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

Plant Reserve

- to be used for the purchase of major plant

Civic Building Reserve

- to be used for the construction of a new administration centre

Legal Cost Reserve

- to be used to fund any future legal costs

HACC

- to be used for HACC leave and capital replacement funds

Strategic Plan Reserves

- to fund initiatives identified in the Strategic Plan

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

The Building Reserve is expected to be utilised in 2008/09.

11. RESERVES - ASSET REVALUATION

No asset revaluation have been undertaken up to 30 June 2008.

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

12. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash

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

	2008 \$	2008 Budget \$	2007 \$
Cash and Cash Equivalents	<u>3,394,478</u>	<u>1,485,578</u>	<u>2,240,942</u>

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

Net Result	1,018,266	421,823	350,075
Depreciation	650,120	643,428	651,014
(Profit)/Loss on Sale of Asset	(13,622)	(11,724)	(10,876)
(Increase)/Decrease in Receivables	45,468	0	(23,124)
Increase/(Decrease) in Payables	44,668	0	188,185
Increase/(Decrease) in Employee Provisions	90,266	0	59,902
Grants/Contributions for the Development of Assets	(161,968)	(374,799)	(54,050)
Net Cash from Operating Activities	<u>1,673,198</u>	<u>678,728</u>	<u>1,161,126</u>

(c) Undrawn Borrowing Facilities
Credit Standby Arrangements

Bank Overdraft limit	100,000	100,000	100,000
Credit Card limit	13,000	0	13,000
Credit Card Balance at Balance Date	<u>0</u>	<u>0</u>	<u>0</u>
Total Amount of Credit Unused	<u>113,000</u>	<u>100,000</u>	<u>113,000</u>

Loan Facilities

Loan Facilities - Current	137,891	134,874	134,874
Loan Facilities - Non-Current	<u>731,277</u>	<u>869,167</u>	<u>869,167</u>
Total Facilities in Use at Balance Date	<u>869,168</u>	<u>1,004,041</u>	<u>1,004,041</u>

Unused Loan Facilities at Balance Date	<u>0</u>	<u>0</u>	<u>0</u>
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TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

13. CONTINGENT LIABILITIES

Regional Resource Recovery Centre-Lending Facility

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

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

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

The Council's estimated share of the project funding is based on population percentages (census figures each 5 years) over the life of the loan, currently at 2.43%. The SMRC Loan Liability as at 30 June 2008 is \$50,725,962 with the Council's share of this liability being \$1,230,598. It is estimated that once fully drawn, Council's annual contribution towards the repayment of interest and principal will be in the region of \$115,000 over the 20 year loan period. Council has guaranteed by way of agreement its share of the loan liability to the SMRC and the Western Australian Treasury Corporation (funding body)

(b) The SMRC participants have also guaranteed by way of security to the Western Australian Treasury Corporation, a charge over its general funds for the debenture borrowings for the SMRC Administration building at 9 Aldous Place, Booragoon. The SMRC Loan Liability as at 30 June 2008, is \$1,800,000 with the Council's share of this liability being \$32,400.

Legal Proceedings

The Town is currently defending an action in the WA Supreme Court. Should the Town be unsuccessful in its defence of this action, a possible outcome is the awarding of damages against the Town, which, if this occurred, could have a material impact on the future financial performance of the Town.

14. CAPITAL AND LEASING COMMITMENTS

	2008	2007
	\$	\$

(a) Finance Lease Commitments

Total Finance Lease Liability	0	0
Total Lease Liability	0	0

(b) Operating Lease Commitments

Rentworks Limited (Tractor)	20,935	37,682
Telstra (Telephone System)	6,957	11,131
Danka (Photocopier)	0	2,614
Volante Systems (Microsoft)	0	1,786
Toshiba (Photocopier)	23,032	34,214
	50,924	87,427

(c) Capital Expenditure Commitments

Council did not have any capital expenditure projects outstanding at the end of the current reporting period.

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

15. SOUTHERN METROPOLITAN REGIONAL COUNCIL

General Funds

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

	(un-audited)	
	2007/08	2006/07
Amount of interest	\$14,643	\$7,408
Cost/profit sharing ratio	1.80%	1.80%

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

Regional Resource Recovery Centre (RRRC)

The Regional Resource Recovery Centre is a project between the Cities of Canning, Cockburn, Fremantle, Melville & Town of East Fremantle. The project was established through the SMRC as a major trading undertaking. The RRRC project's principal activity is the development of a waste processing plant & green waste facility at Canning Vale. Participating Council's are required to contribute an annual fee to cover the capital cost in the establishment of the facility and pay gate fees for each tonne of waste they deliver to the facility to cover the operating costs. The capital costs for each participating Member Council is based on the Australian Bureau of Statistics census of population statistics. Each project participant will develop equity in the project equal to the relevant proportion of the total capital loan repayments made by the project participant. The Council's interest in the equity of the project as at 30 June 2008 (as calculated by the SMRC);

	(un-audited)	
	2007/08	2006/07
Share of Equity	123,594	(127,319)
Cost/profit sharing ratio	2.43%	2.45%

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

South West Group

The Council is a member participant in a project for the South West Management Groups with the Cities of Canning, Cockburn, Fremantle, Rockingham & Town of Kwinana. Council's share in the net assets of the South West Group as at 30 June 2008 was:

	(un-audited)	
	2007/08	2006/07
Share of Equity	29,890	24,645

Cost/profit sharing ratio

8.28%

8.28%

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2008	2007
	\$	\$
Governance	3,600,246	1,065,120
Law, Order, Public Safety	3,617	3,922
Health	29,857	33,047
Education and Welfare	427,152	289,209
Housing	207,532	227,776
Community Amenities	1,489,751	1,598,467
Recreation and Culture	5,986,407	5,916,802
Transport	7,512,807	7,456,670
Economic Services	0	0
Other Property and Services	721,891	745,693
Unallocated	876,917	2,501,156
	<u>20,856,177</u>	<u>19,837,862</u>

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

17. FINANCIAL RATIOS	2008	2007	2006
Current Ratio	1.70	2.03	1.31
Untied Cash to Trade Creditors Ratio	3.42	3.49	1.57
Debt Ratio	12.27%	12.92%	12.61%
Debt Service Ratio	2.95%	3.43%	3.85%
Gross Debt to Revenue Ratio	13.29%	16.98%	20.59%
Gross Debt to Economically Realisable Assets Ratio	7.55%	9.43%	10.94%
Rate Coverage Ratio	62.96%	65.06%	62.11%
Outstanding Rates Ratio	2.62%	1.28%	0.87%

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{Current assets minus restricted current assets}}{\text{Current liabilities minus liabilities associated with restricted assets}}$
Untied Cash to Trade Creditors Ratio	$\frac{\text{Untied cash}}{\text{Unpaid trade creditors}}$
Debt Ratio	$\frac{\text{Total liabilities}}{\text{Total assets}}$
Debt Service Ratio	$\frac{\text{Debt Service Cost (Principal \& Interest)}}{\text{Available operating revenue}}$
Gross Debt to Revenue Ratio	$\frac{\text{Gross debt}}{\text{Total revenue}}$
Gross Debt to Economically Realisable Assets Ratio	$\frac{\text{Gross debt}}{\text{Economically realisable assets}}$
Rate Coverage Ratio	$\frac{\text{Net rate revenue}}{\text{Operating revenue}}$
Outstanding Rates Ratio	$\frac{\text{Rates outstanding}}{\text{Rates collectable}}$

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

18. TRUST FUNDS

Funds held at balance date over which the Municipality has control and which are included in the financial statements, are as follows:

	Balance 1-Jul-07	Interest Received	Amounts Paid	Balance 30-Jun-08
	\$	\$	(\$)	\$
Garfield	8,819	428	0	9,247
Left Bank	252,928	30,150	0	283,078
Transport Tramway Funds	148,556	7,208	0	155,764
	<u>410,303</u>	<u>37,786</u>	<u>0</u>	<u>448,089</u>

19. DISPOSALS OF ASSETS - 2007/08 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$
Furniture & Equipment						
Office Computers	1,626	0	0	0	(1,626)	0
Various Office Furniture	3,214	0	0	0	(3,214)	0
Plant & Equipment						
Ford Fairlane 1BUS159	13,030	34,008	19,364	28,000	6,334	(6,008)
Ford Falcon 1CDI381	15,157	14,756	12,181	14,000	(2,976)	(756)
Toyota Camry	13,425	13,070	13,636	14,000	211	930
Toyata Dual Cab Ute 1BFM099	0	0	11,364	12,000	11,364	12,000
Ford Courier 1BRM938	5,059	6,442	12,727	12,000	7,668	5,558
Depot Equipment	6,461	0	2,068	0	(4,393)	0
2 Travelling Irragators	(1,057)	0	0	0	1,057	0
Various Equipment	802	0	0	0	(802)	0
	<u>57,718</u>	<u>68,276</u>	<u>71,340</u>	<u>80,000</u>	<u>13,622</u>	<u>11,724</u>

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

20. INFORMATION ON BORROWINGS

Particulars	Principal 1-Jul-07 \$	New Loans \$	Principal Repayments		Principal 30-Jun-08		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
(a) Debenture Repayments								
Administration								
Organisational Reform - 179	164,846		15,931	15,931	148,915	148,915	11,433	11,442
Community Amenities								
George Street Beautification - 173	44,338		5,128	5,128	39,210	39,210	2,951	2,951
Recycling Bins - 176	37,939		18,376	18,376	19,563	19,564	2,018	2,125
Recreation and Culture								
East Fremantle Tennis Club - 165 *	5,413		5,413	5,414	0	0	55	187
East Fremantle Bowling Club - 167 *	27,237		3,529	3,528	23,708	23,708	1,523	1,614
Foreshore/Landscaping - 169	82,763		9,573	9,573	73,190	73,190	5,508	5,508
Playground Equipment - 171	47,293		5,470	5,470	41,823	41,823	3,147	3,147
Automatic Reticulation - 175	65,029		7,522	7,522	57,507	57,506	4,328	4,328
Transport								
Footpath Construction - 168	88,675		10,257	10,257	78,418	78,418	5,902	5,902
Construction Works - 170	40,199		4,651	4,650	35,548	35,549	2,675	2,675
Local Area Traffic Management - 174	29,559		3,419	3,419	26,140	26,139	1,967	1,967
Road and Footpath Construction - 178	98,909		9,559	9,559	89,350	89,349	6,860	6,865
Road and Footpath Construction - 182	131,581		19,319	19,319	112,262	112,262	6,084	6,171
Road and Footpath Construction - 184	140,261		16,727	16,727	123,534	123,534	7,738	8,005
	1,004,042	0	134,874	134,873	869,168	869,167	62,189	62,887

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

All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2007/08

Council raised no new debenture loans during the 2007/08 financial year.

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

20. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Debentures

Council had no unspent debenture loans as at 30 June 2008.

(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 2007 and 30 June 2008 was \$Nil.

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

21. RATING INFORMATION - 2007/08 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential General Rate											
Residential	9.4438	2,877	34,833,693	3,288,780	34,847	0	3,323,627	3,263,805	30,000	0	3,293,805
Commercial	12.0147	99	5,482,741	658,735	2,514	0	661,249	658,735	0	0	658,735
Sub-Totals		2,976	40,316,434	3,947,515	37,361	0	3,984,876	3,922,540	30,000	0	3,952,540
Minimum Rates											
Residential	620	213	1,183,895	132,060	0	0	132,060	132,680	0	0	132,680
Commercial	775	0									0
Sub-Totals		213	1,183,895	132,060	0	0	132,060	132,680	0	0	132,680
Specified Area Rate (refer note 24)							4,116,936				4,085,220
Discounts (refer note 26)							4,116,936				4,085,220
Totals							4,116,936				4,085,220

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

22. SPECIFIED AREA RATE - 2007/08 FINANCIAL YEAR

Council imposed no specified area rates during the 2007/08 financial year.

23. SERVICE CHARGES - 2007/08 FINANCIAL YEAR

Council imposed no service charges during the 2007/08 financial year.

**24. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2007/08 FINANCIAL YEAR**

Council did not grant any discounts, incentives or concessions during 2007/08.

25. INTEREST CHARGES AND INSTALMENTS - 2007/08 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		16,528	16,100
Interest on Instalments Plan	5.50%		22,890	19,000
Charges on Instalment Plan	\$15/ Notice		30,550	30,000
			69,968	65,100

Ratepayers had the option of paying rates in four equal instalments, due on 12th September 2007, 14th November 2007, 15th January 2008 and 18th March 2008. Administration charges and interest applied for the final three instalments.

26. FEES & CHARGES	2008 \$	2007 \$
Governance	13,914	15,106
General Purpose Funding	43,514	44,555
Law, Order, Public Safety	10,040	9,436
Health	17,413	2,017
Housing	50,368	17,752
Education & Welfare	165,369	44,170
Community Amenities	293,479	275,229
Recreation & Culture	153,736	122,132
Transport	252,715	234,382
Economic Services	54,804	89,121
Other Property & Services	79,670	70,767
	<u>1,135,022</u>	<u>924,667</u>

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 2008

27. GRANT REVENUE	2008	2007
	\$	\$
By Nature and Type:		
Grants and Subsidies - operating	753,484	696,300
Grants and Subsidies - non-operating	161,968	54,050
	<u>915,452</u>	<u>750,350</u>
By Program:		
General Purpose Funding	181,698	174,014
Law Order & Public Safety	11,200	0
Education & Welfare	535,939	533,439
Community Amenities	0	2,785
Recreation and Culture	9,271	25,000
Transport	177,344	15,107
Economic Services	0	0
	<u>915,452</u>	<u>750,345</u>

28. COUNCILLORS' REMUNERATION	2008	2008	2007
	\$	Budget	\$
		\$	
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	58,039	56,000	53,083
Mayoral Meeting Fees	14,346	14,000	14,000
Mayoral Allowance	24,000	12,000	12,000
Deputy Mayoral Allowance	3,000	3,000	3,000
Conference & Other Expenses	2,238	4,000	5,438
	<u>101,623</u>	<u>89,000</u>	<u>87,521</u>

29. EMPLOYEES' REMUNERATION

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

Salary Range	2008	2007
\$		
100,000 - 109,999		1
110,000 - 119,999	1	

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

	2008	2007
	<u>36</u>	<u>37</u>

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

31. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2007/08 financial year.

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2007/08 financial year.

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

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	
	2008	2007	2008	2007
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	3,394,478	2,240,942	3,394,478	2,240,942
Receivables	205,768	260,188	205,768	260,188
	<u>3,600,246</u>	<u>2,501,130</u>	<u>3,600,246</u>	<u>2,501,130</u>
Financial Liabilities				
Payables	1,338,244	1,293,588	1,338,244	1,293,588
Borrowings	869,169	1,004,043	784,255	884,954
	<u>2,207,413</u>	<u>2,297,631</u>	<u>2,122,499</u>	<u>2,178,542</u>

Fair value is determined as follows:

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

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

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

SENSITIVITY ANALYSIS

	30-June-2008	30-June-2007
	\$	\$
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	29,500	18,300
- Income Statement	29,500	18,300

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

Council's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. Council manages this risk by monitoring outstanding debt and employing debt recovery policies.

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 monitored against benchmarks 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:

	30-June-2008	30-June-2007
Percentage of Rates and Annual Charges		
- Current	92.10%	89.00%
- Overdue	7.90%	11.00%
Percentage of Other Receivables		
- Current	73.00%	83.30%
- Overdue	27.00%	16.70%

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

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:

	<u>2008</u>	<u>2007</u>		
	Due within 1 year \$	Due between 1 & 5 years \$		
	Due after 5 years \$	Total contractual cash flows \$		
	Carrying values \$			
Payables	1,338,244	0	1,338,244	1,338,244
Borrowings	192,160	686,633	187,395	869,169
	<u>1,530,404</u>	<u>686,633</u>	<u>187,395</u>	<u>2,404,432</u>
				<u>2,207,413</u>
Payables	1,293,588	0	0	1,293,588
Borrowings	197,062	707,135	359,053	1,004,043
	<u>1,490,650</u>	<u>707,135</u>	<u>359,053</u>	<u>2,556,838</u>
				<u>2,297,631</u>

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2008

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Borrowings (Continued)

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

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

	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate %
	\$	\$	\$	\$	\$	\$	\$	%
Year Ended 30 June 2008								
Borrowings								
Fixed Rate								
Debentures	137,891	126,051	134,286	143,067	152,430	175,444	869,169	6.51%
Weighted Average Effective Interest Rate	6.41%	6.42%	6.43%	6.43%	6.44%	6.83%		
Year Ended 30 June 2007								
Borrowings								
Fixed Rate								
Debentures	134,874	137,891	126,051	134,286	143,067	327,874	1,004,043	6.75%
Weighted Average Effective Interest Rate	6.42%	6.41%	6.42%	6.43%	6.43%	6.65%		

INDEPENDENT AUDIT REPORT

TO: RATEPAYERS OF TOWN OF EAST FREMANTLE

We have audited the financial report of the Town of East Fremantle, which comprises the Balance Sheet as at 30 June 2008 and the Income Statement, Statement of Changes in Equity, Cash Flow Statement, Rate Setting Statement and the notes to and forming part of the financial report for the year ended on that date.

The Responsibility of the Council for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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



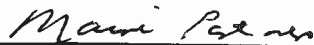
Auditor's Opinion

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

- (i) gives a true and fair view of the financial position of the Town of East Fremantle as at 30 June 2008 and of its financial performance for the year ended on that date; and
- (ii) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards (including the Australian Accounting Interpretations).

Statutory Compliance

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



**MACRI PARTNERS
CERTIFIED PRACTISING ACCOUNTANTS
28 THOROGOOD STREET
BURSWOOD WA 6100**



**A MACRI
PARTNER**

**PERTH
DATED THIS 22nd DAY OF SEPTEMBER 2008.**

