

TOWN OF EAST FREMANTLE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

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**TOWN OF EAST FREMANTLE
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2010**

	NOTE	2010 \$	2010 Budget \$	2009 \$
REVENUE				
Rates	23	4,785,637	4,795,777	4,538,173
Operating Grants, Subsidies and Contributions	29	838,985	837,211	818,260
Fees and Charges	28	1,185,674	893,327	739,863
Interest Earnings	2(a)	254,910	107,000	290,085
Other Revenue		137,058	166,700	438,426
		<u>7,202,264</u>	<u>6,800,015</u>	<u>6,824,807</u>
EXPENSES				
Employee Costs		(2,156,030)	(2,220,359)	(1,662,587)
Materials and Contracts		(2,851,880)	(3,075,660)	(3,267,260)
Utility Charges		(271,304)	(275,031)	(254,042)
Depreciation on Non-Current Assets	2(a)	(705,892)	(670,670)	(665,712)
Interest Expenses	2(a)	(45,140)	(45,603)	(53,713)
Insurance Expenses		(196,219)	(184,700)	(175,908)
Other Expenditure		(137,391)	(99,500)	(12,363)
		<u>(6,363,856)</u>	<u>(6,571,523)</u>	<u>(6,091,585)</u>
Non-Operating Grants, Subsidies and Contributions	27	330,149	424,862	148,455
Profit on Asset Disposals	19	30,694	40,170	35,736
Loss on Asset Disposal	19	(10,898)		(4,612)
NET RESULT		1,188,353	693,524	912,801
Other Comprehensive Income		-	-	-
Total Other Comprehensive Income		-	-	-
TOTAL COMPREHENSIVE INCOME		<u><u>1,188,353</u></u>	<u><u>693,524</u></u>	<u><u>912,801</u></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 2010**

NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
Balance as at 1 July 2008	17,040,445	1,256,521	-	18,296,966
Net Result	912,801	-	-	912,801
Reserve Transfers	(361,090)	361,090	-	-
Balance as at 30 June 2009	17,592,156	1,617,611	-	19,209,767
Net Result	1,188,353	-	-	1,188,353
Total Other Comprehensive Income	-	-	-	-
Reserve Transfers	(681,660)	681,660	-	-
Balance as at 30 June 2010	18,098,849	2,299,271	-	20,398,120

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 2010**

	NOTE	2010 \$	2010 Budget \$
REVENUE			
Governance		42,013	18,440
General Purpose Funding		497,967	381,340
Law, Order, Public Safety		39,651	17,000
Health		10,483	7,480
Education and Welfare		688,232	658,737
Housing		44,386	55,380
Community Amenities		188,375	173,570
Recreation and Culture		337,748	321,861
Transport		527,392	608,262
Economic Services		141,916	148,920
Other Property and Services		261,483	78,280
		<u>2,779,646</u>	<u>2,469,270</u>
EXPENSES			
Governance		(587,412)	(526,171)
General Purpose Funding		(176,618)	(210,695)
Law, Order, Public Safety		(119,680)	(180,240)
Health		(80,623)	(101,630)
Education and Welfare		(685,443)	(680,386)
Housing		(35,531)	(35,010)
Community Amenities		(1,546,813)	(1,873,010)
Recreation & Culture		(1,305,379)	(1,286,508)
Transport		(1,594,757)	(1,552,448)
Economic Services		(164,122)	(172,815)
Other Property and Services		(80,552)	(136,530)
		<u>(6,376,930)</u>	<u>(6,755,443)</u>
Adjustments for Cash Budget Requirements:			
Non-Cash Expenditure and Revenue			
(Profit)/Loss on Asset Disposals		(19,796)	(40,170)
Movement in Accrued Interest		21,110	-
Movement in Deferred Pensioner Rates (Non-Current)		(2,309)	-
Movement in Accrued Salaries and Wages		18,746	-
Movement in Employee Benefit Provisions		76,189	-
Depreciation and Amortisation on Assets		705,892	670,670
Capital Expenditure and Revenue			
Purchase Land and Buildings		(390,860)	(851,130)
Purchase Infrastructure Assets - Roads		(545,046)	(1,171,364)
Purchase Plant and Equipment		(257,859)	(261,470)
Purchase Furniture and Equipment		(5,786)	(16,500)
Proceeds from Disposal of Assets		72,477	105,000
Repayment of Debentures		(126,051)	(126,051)
Self-Supporting Loan Principal Income		3,980	3,980
Transfers to Reserves (Restricted Assets)		(984,219)	(202,000)
Transfers from Reserves (Restricted Assets)		302,559	526,820
ADD Estimated Surplus/(Deficit) July 1 B/Fwd		1,142,666	857,167
LESS Estimated Surplus/(Deficit) June 30 C/Fwd		1,200,046	4,556
Amount Required to be Raised from Rates	21	<u><u>(4,785,637)</u></u>	<u><u>(4,795,777)</u></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 2010**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories

General

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

Land Held for Resale

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

Revenue arising from the sale of property is recognised in the statement of comprehensive income 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 balance date.

Land under Roads

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

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

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

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

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

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 balance 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 statement of financial position.

(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 balance 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 statement of comprehensive income. 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 statement of comprehensive income 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 2010**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment

In accordance with Australian Accounting Standards the Council's assets, other than inventories, are assessed at each balance 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 statement of comprehensive income.

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

(l) Trade and Other Payables

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

(m) Employee Benefits

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

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

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

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

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

(n) Interest-bearing Loans and Borrowings

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

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

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after balance 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 2010**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Current and Non-Current Classification

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

(u) Rounding Off Figures

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

(v) Comparative Figures

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

(w) Budget Comparative Figures

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

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 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	December 2009	01 January 2011	Nil – The revisions embodied in this standard relate to standards which do not apply to local government (ie AASB8) or are largely editorial in nature and will have minimal effect (if any) on the accounting practices of the Council.
(vi) 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 (ii) above).
(vii) AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	December 2009	01 July 2010	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2010- 1 Amendment to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosure for First-time Adopters [AASB 1 & AASB 7]	February 2010	01 July 2010	

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

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 mandatory and which were applicable to its operations.

The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the Council.

AASB 101: Presentation of Financial Statements

In September 2007, the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Council's financial statements.

Disclosure Impact

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required owner changes in equity and other comprehensive income to be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either a single statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Council has adopted the single statement approach and the financial statements now contain a statement of comprehensive income.

Other Comprehensive Income – The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises income and expenses not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR YEAR ENDED 30TH JUNE 2010**

2. REVENUE AND EXPENSES (Continued)

(b) Income Statement by Program

	NOTE	2010 \$	2010 Budget \$	2009 \$
REVENUE				
Governance		42,013	18,440	25,593
General Purpose Funding		5,283,604	5,177,117	5,064,624
Law, Order, Public Safety		39,651	17,000	34,353
Health		10,483	7,480	2,529
Education and Welfare		688,232	658,737	595,779
Housing		44,386	55,380	51,971
Community Amenities		188,375	173,570	168,442
Recreation and Culture		337,748	321,861	381,592
Transport		527,392	608,262	488,862
Economic Services		141,916	148,920	135,900
Other Property and Services		261,483	78,280	59,353
	2 (a)	<u>7,565,283</u>	<u>7,265,047</u>	<u>7,008,998</u>
EXPENSES EXCLUDING FINANCE COSTS				
Governance		(578,369)	(495,118)	(545,375)
General Purpose Funding		(176,618)	(210,695)	(206,320)
Law, Order, Public Safety		(119,680)	(148,240)	(120,765)
Health		(80,623)	(101,630)	(76,050)
Education and Welfare		(685,443)	(680,386)	(667,968)
Housing		(35,531)	(35,010)	(34,243)
Community Amenities		(1,544,602)	(1,777,799)	(1,402,206)
Recreation & Culture		(1,294,589)	(1,275,619)	(1,139,487)
Transport		(1,571,661)	(1,492,078)	(1,617,720)
Economic Services		(164,122)	(172,815)	(173,694)
Other Property and Services		(80,552)	(136,530)	(58,656)
	2 (a)	<u>(6,331,790)</u>	<u>(6,525,920)</u>	<u>(6,042,484)</u>
FINANCE COSTS				
Governance		(9,043)	(9,053)	(10,280)
Community Amenities		(2,211)	(2,211)	(3,416)
Recreation & Culture		(10,790)	(10,889)	(12,710)
Transport		(23,096)	(23,450)	(27,307)
	2 (a)	<u>(45,140)</u>	<u>(45,603)</u>	<u>(53,713)</u>
NET RESULT		<u>1,188,353</u>	<u>693,524</u>	<u>912,801</u>
Other Comprehensive Income		-	-	-
Total Other Comprehensive Income		-	-	-
TOTAL COMPREHENSIVE INCOME		<u><u>1,188,353</u></u>	<u><u>693,524</u></u>	<u><u>912,801</u></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 2010**

REVENUES AND EXPENSES (Continued)

Statement of Objective (Continued)

ECONOMIC SERVICES

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

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

OTHER PROPERTY & SERVICES

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

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

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

	2010	2009
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	1,475,990	1,239,132
Restricted	3,017,128	2,770,857
	<u>4,493,118</u>	<u>4,009,989</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Mooring Pens Bonds	66,100	71,200
Other Bonds	53,625	54,591
Footpaths Bonds	415,808	378,988
Staff Leave Reserve	324,320	278,783
Plant Replacement Reserve	238,017	136,394
Civic Building Reserve	763,076	470,509
HACC Reserve	139,453	24,512
Legal Funds Reserve	104,680	261,140
Strategic Plan Reserve	441,728	421,273
Office Reserve	51,214	25,000
Unspent Grants	236,783	157,703
Nominations Deposits Trust	52	50
Tramway Trust	172,090	164,201
Trust Deposits (Left Bank & Garfield)	10,182	326,513
	<u>3,017,128</u>	<u>2,770,857</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

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

	Land & Buildings \$	Furniture & Equipment \$	Plant & Equipment \$	Total \$
Balance as at 1 July 2009	7,212,006	73,333	416,849	7,702,188
Additions	376,823	5,786	257,859	640,468
(Disposals)	-	(1,627)	(51,055)	(52,682)
Depreciation (Expense)	(279,533)	(22,051)	(134,159)	(435,743)
Balance as at 30 June 2010	<u>7,309,296</u>	<u>55,441</u>	<u>489,494</u>	<u>7,854,231</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

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.

	Roads \$	Footpaths \$	Drainage \$	Reserves Irrigation Parks \$	Rivers \$	Car Parks Signs Bus Shelters \$	Total \$
Balance as at 1 July 2009	5,557,169	1,371,855	901,923	1,589,440	129,460	305,758	9,855,605
Additions	167,699	228,160	30,445	-	-	92,362	518,666
Depreciation (Expense)	(144,708)	(41,599)	(14,315)	(56,395)	(4,319)	(8,813)	(270,149)
Transfers	-	306,041	-	(306,041)	-	-	-
Balance as at 30 June 2010	5,580,160	1,864,457	918,053	1,227,004	125,141	389,307	10,104,122
Work In Progress	-	4,480	-	-	-	21,900	26,380
Total	5,580,160	1,868,937	918,053	1,227,004	125,141	411,207	10,130,502

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

	2010 \$	2010 Budget \$	2009 \$
10. RESERVES - CASH BACKED			
(a) Plant Replacement Reserve			
Opening Balance	136,394	136,394	52,712
Amount Set Aside / Transfer to Reserve	101,623	95,000	83,682
Amount Used / Transfer from Reserve	-	(65,000)	-
	<u>238,017</u>	<u>166,394</u>	<u>136,394</u>
(b) Staff Leave Reserve			
Opening Balance	278,783	278,783	129,709
Amount Set Aside / Transfer to Reserve	45,537	32,000	149,074
Amount Used / Transfer from Reserve	-	-	-
	<u>324,320</u>	<u>310,783</u>	<u>278,783</u>
(c) Office Reserve			
Opening Balance	25,000	25,000	-
Amount Set Aside / Transfer to Reserve	26,214	25,000	25,000
Amount Used / Transfer from Reserve	-	-	-
	<u>51,214</u>	<u>50,000</u>	<u>25,000</u>
(d) Legal Costs Reserve			
Opening Balance	261,140	261,140	250,000
Amount Set Aside / Transfer to Reserve	104,680	-	11,140
Amount Used / Transfer from Reserve	(261,140)	-	-
	<u>104,680</u>	<u>261,140</u>	<u>261,140</u>
(e) HACC Reserve			
Opening Balance	24,512	24,512	23,466
Amount Set Aside / Transfer to Reserve	114,941	-	1,046
Amount Used / Transfer from Reserve	-	-	-
	<u>139,453</u>	<u>24,512</u>	<u>24,512</u>
(f) Strategic Plan Reserve			
Opening Balance	421,273	421,273	403,302
Amount Set Aside / Transfer to Reserve	20,455	-	17,971
Amount Used / Transfer from Reserve	-	(242,820)	-
	<u>441,728</u>	<u>178,453</u>	<u>421,273</u>
(g) Civic Building Reserve			
Opening Balance	470,509	470,509	397,332
Amount Set Aside / Transfer to Reserve	333,986	50,000	73,177
Amount Used / Transfer from Reserve	(41,419)	(229,000)	-
	<u>763,076</u>	<u>291,509</u>	<u>470,509</u>
(h) Committed Funds Resrve			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	236,783	-	-
Amount Used / Transfer from Reserve	-	-	-
	<u>236,783</u>	<u>0</u>	<u>0</u>
TOTAL CASH BACKED RESERVES	<u><u>2,299,271</u></u>	<u><u>1,282,791</u></u>	<u><u>1,617,611</u></u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

12. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, 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 statement of financial position as follows:

	2010 \$	2010 Budget \$	2009 \$
Cash and Cash Equivalents	<u>4,493,118</u>	<u>2,878,489</u>	<u>4,009,989</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net Result	1,188,353	693,524	912,801
Depreciation	705,892	670,670	665,712
(Profit)/Loss on Sale of Asset	(19,796)	(40,170)	(31,124)
(Increase)/Decrease in Receivables	(29,220)	-	(6,802)
Increase/(Decrease) in Payables	(170,398)	-	59,703
Increase/(Decrease) in Employee Provisions	57,443	-	85,814
Grants/Contributions for the Development of Assets	(330,149)	(424,862)	(148,455)
Net Cash from Operating Activities	<u>1,402,125</u>	<u>899,162</u>	<u>1,537,649</u>
(c) Undrawn Borrowing Facilities			
Credit Standby Arrangements			
Bank Overdraft limit	100,000		100,000
Credit Card limit	13,000		13,000
Total Amount of Credit Unused	<u>113,000</u>		<u>113,000</u>
Loan Facilities			
Loan Facilities - Current	134,286		126,051
Loan Facilities - Non-Current	470,940		605,226
Total Facilities in Use at Balance Date	<u>605,226</u>		<u>731,277</u>

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

15. GROUP PARTICIPATION

(a) SOUTHERN METROPOLITAN REGIONAL COUNCIL

General Funds

The Council is a member of the Southern Metropolitan Regional Council. SMRC was established in accordance with the Local Government Act 1995 and consists of 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 2010 was

	2010	2009
Amount of Interest	\$ 41,848	14,155
Cost/profit sharing ratio	1.74%	1.74%

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

Regional Resource Recovery Centre (RRRC)

Cockburn, Fremantle, Melville & Town of East Fremantle. The venture was established through the SMRC as a major trading undertaking. The RRRC joint venture's principal activity is the development of a waste processing plant & green waste facility at Canning Vale. Participating Council's are required to contribute an annual fee to cover the capital cost in the establishment of the facility and pay gate fees for each tonne of waste they deliver to the facility to cover the operating costs. The capital costs for each participating Member Council is based on the Australian Bureau of Statistics census of population statistics. Each project participant will develop equity in the project equal to the relevant proportion of the total capital loan repayments made by the project participant. The Council's interest in the equity of the Joint Venture as at 30 June 2010 (as calculated by the SMRC);

	2010	2009
Share of Equity	\$ 1,313,553	(118,098)
Cost/profit sharing ratio	2.42%	2.42%

It is estimated that the capital cost of the project will be \$55 million to be funded by borrowings repayable by annual contributions from the five participating Local Governments. Council's portion of the Capital repayment commenced in the 2001-2002 financial years and will continue for a period of 20 years. The contribution for 2009-2010 by the Council is \$111,743 and this expenditure is reflected in Council's financial statements as an operating expense.

(b) SOUTH WEST GROUP

The Council is a member participant in a project for the South West Management Groups with the Cities of Canning, Cockburn, Fremantle, Rockingham & Town of Kwinana. Council's share in the net assets of the South West Group as at 30 June 2010 was:

	2010	2009
Share of Equity	\$ 29,953	29,890
Cost/profit sharing ratio	7.13%	8.28%

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

18. TRUST FUNDS

Funds held at balance date over which the District has no control and which are included in the financial statements are as follows:

	Balance 1-Jul-09 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-10 \$
Garfield	9,740	442	-	10,182
Left Bank	316,773	-	(316,773)	0
Transport Tramway Funds	164,201	7,890	-	172,091
Nomination Deposits	50	2	-	52
	<u>490,764</u>	<u>8,334</u>	<u>(316,773)</u>	<u>182,325</u>

19. DISPOSALS OF ASSETS - 2009/10 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 Areva PEMV212	15,182	15,630	15,659	16,000	477	370
Ford Mondeo	-	21,130	-	25,000	-	3,870
Computer FE233	809	-	-	-	(809)	-
Computer Hitachi FE259	194	-	-	-	(194)	-
2 Pentium Computers FE265	623	-	-	-	(623)	-
Kodak 3800 Camera FE214	-	-	-	-	-	-
Olympus C750 Camera FE251	-	-	-	-	-	-
Cannon Photocopier FE220	-	-	-	-	-	-
Office Network System FE223	-	-	-	-	-	-
Computer Server FE252	-	-	-	-	-	-
Health						
Ford Focus PEMV208	6,440	7,060	11,818	12,000	5,378	4,940
Education & Welfare						
Toyota Camry PEMV174	-	-	3,636	6,000	3,636	6,000
Hyundai Trajet PEMV201	-	-	8,182	9,000	8,182	9,000
Recreation & Culture						
Iseki SF230 Mower PE237	8,806	-	2,000	-	(6,806)	-
Stihl Telescopic Pruner PE252	968	-	273	-	(695)	-
Stihl Chainsaw PE249	1,771	-	-	-	(1,771)	-
Howard Roller Mower PE85	-	-	-	-	-	-
Deutsche 24' Mower	-	-	-	-	-	-
Transport						
Massey Ferguson Mower PE999	-	-	-	-	-	-
Ford Focus PEMV209	6,440	-	11,818	-	5,378	-
Toyota Hilux PEMV177	-	-	6,364	12,000	6,364	12,000
Ford Falcon Utility	-	8,900	-	12,000	-	3,100
Concrete Cutter PE195	-	-	-	-	-	-
Economic Services						
Toyota Corolla PEMV213	11,448	12,110	12,727	13,000	1,279	890
	52,681	64,830	72,477	105,000	19,796	40,170

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

20. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Debentures

Council had no unspent debenture loans as at 30 June 2010.

(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 2009 and 30 June 2010 was \$Nil.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

22. SPECIFIED AREA RATE - 2009/10 FINANCIAL YEAR

Council imposed no specified area rates during the 2009/10 financial year

23. SERVICE CHARGES - 2009/10 FINANCIAL YEAR

Council imposed no service charges during the 2009/10 financial year.

**24. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2009/10 FINANCIAL YEAR**

Council did not grant any discounts, incentives or concessions during 2009/10.

25. INTEREST CHARGES AND INSTALMENTS - 2009/10 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Instalments Plan	5.50%		26,810	25,700
Charges on Instalment Plan	\$15/Notice			
Special Instalment Charge	\$50		4,209	5,800
			31,019	31,500

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

Payment in full by due date - 2 September 2009.

Payment by two equal instalments by 2nd September 2009 & 6th January 2010.

Payment by four equal instalments by 2nd September 2009, 4th November 2009, 6th January 2010 and 10th March 2010.

26. FEES & CHARGES	2010 \$	2009 \$
Governance	22,604	12,595
General Purpose Funding	45,103	32,725
Law, Order, Public Safety	17,951	9,241
Health	4,215	2,529
Education and Welfare	213,150	10,370
Housing	44,386	51,971
Community Amenities	188,375	168,084
Recreation and Culture	207,214	234,412
Transport	296,588	118,808
Economic Services	140,530	48,775
Other Property and Services	5,558	50,353
	1,185,674	739,863

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 2010

32. 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	
	2010	2009	2010	2009
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	4,493,118	4,009,989	4,493,118	4,009,989
Receivables	234,063	208,823	234,063	208,823
	<u>4,727,181</u>	<u>4,218,812</u>	<u>4,727,181</u>	<u>4,218,812</u>
Financial Liabilities				
Payables	1,208,802	1,397,946	1,208,802	1,397,946
Borrowings	605,226	731,277	596,450	711,213
	<u>1,814,028</u>	<u>2,129,223</u>	<u>1,805,252</u>	<u>2,109,159</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 2010**

32. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	30-Jun-10	30-Jun-09
Percentage of Rates and Annual Charges		
- Current	100.00%	100.00%
- Overdue	0.00%	0.00%
Percentage of Other Receivables		
- Current	95.00%	49.70%
- Overdue	5.00%	50.30%

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

32. 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 2010	\$	\$	\$	\$	\$	\$	\$	%
Borrowings								
Fixed Rate								
Debtentures	-	-	70,646	352,959	181,621	-	605,226	6.55%
Weighted Average Effective Interest Rate		4.96%		6.58%	7.11%			
Year Ended 30 June 2009								
Borrowings								
Fixed Rate								
Debtentures	-	-	-	91,967	428,378	210,931	731,276	6.53%
Weighted Average Effective Interest Rate				4.96%	6.58%	7.11%		

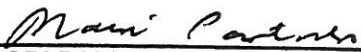
Auditor's Opinion

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 2010 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 1st DAY OF NOVEMBER 2010.**

