



AGENDA ATTACHMENTS UNDER SEPARATE COVER

**C1211- ANNUAL REPORT 2011-2012
Attachment 2: Annual Financial
Statements 30 June 2012
Ordinary Meeting of Council**

Wednesday, 28 November 2012, 6.00 pm

CITY OF FREMANTLE

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2012

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4 to 5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Rate Setting Statement by Nature or Type	9
Rate Setting Statement by Program	10
Notes to and Forming Part of the Financial Report	11 to 66
Independent Audit Report	67 & 69

CITY OF FREMANTLE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Fremantle being the annual financial report and other information for the financial year ended 30th June 2012 are in my opinion properly drawn up to present fairly the financial position of the City of Fremantle at 30th June 2012 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed on the 20th day of NOVEMBER 2012



Chief Executive Officer
Graeme Mackenzie

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

	NOTE	2012 \$	2012 Budget \$	2011 \$
Revenue				
Rates	24	32,535,406	32,539,146	30,045,184
Operating Grants, Subsidies and Contributions	30	5,106,249	4,294,355	4,864,139
Fees and Charges	29	24,692,568	22,873,115	23,011,979
Service Charges	26	421,357	419,022	613,520
Interest Earnings	2(a)	2,571,024	1,941,531	2,397,260
Other Revenue		600,074	448,600	418,057
		<u>65,926,678</u>	<u>62,515,769</u>	<u>61,350,139</u>
Expenses				
Employee Costs		(29,206,799)	(29,347,694)	(27,753,403)
Materials and Contracts		(23,476,594)	(20,498,622)	(19,929,185)
Utility Charges		(1,878,007)	(1,836,647)	(1,616,408)
Depreciation on Non-Current Assets	2(a)	(9,065,660)	(9,559,810)	(9,125,034)
Interest Expenses	2(a)	(596,278)	(596,015)	(636,749)
Insurance Expenses		(755,550)	(638,210)	(563,027)
Other Expenditure		(1,443,922)	(1,428,056)	(1,578,423)
		<u>(66,422,810)</u>	<u>(63,905,054)</u>	<u>(61,202,229)</u>
		(496,132)	(1,389,285)	147,910
 Non-Operating Grants, Subsidies and Contributions	30	3,665,804	4,156,800	5,001,354
Fair value adjustments to financial assets at fair value through profit or loss	2(a)	(317,445)		556,744
Revaluation & Impairment of Property, Plant & Equipment		(662,824)		(3,968,715)
Revaluation of Infrastructure Assets		(405,719)		(1,166,239)
Profit on Asset Disposals	22		150,000	-
Loss on Asset Disposal	22	(50,686)	(446,590)	(1,772,208)
Net Result		1,732,998	2,470,925	(1,201,154)
Other Comprehensive Income				
Revaluation of Assets		(3,739,285)	-	(2,738,702)
Joint Venture - Change on Equity		1,088,033	-	865,047
Total Other Comprehensive Income		(2,651,252)	-	(1,873,655)
Total Comprehensive Income		(918,254)	2,470,925	(3,074,809)

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

CITY OF FREMANTLE
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2012

	NOTE	2012 \$	2012 Budget \$	2011 \$
Revenue				
Governance		238,020	260,865	288,430
General Purpose Funding		36,805,003	35,298,977	33,485,950
Law, Order, Public Safety		2,526,126	1,965,810	1,849,955
Health		381,254	324,300	383,315
Education and Welfare		1,954,175	1,683,870	1,936,095
Housing		100,704	130,000	107,167
Community Amenities		1,471,631	1,570,770	1,644,524
Recreation and Culture		6,196,277	5,696,630	5,798,230
Transport		10,589,030	9,628,710	9,785,989
Economic Services		1,073,091	1,334,002	1,003,036
Other Property and Services		4,542,296	4,621,835	5,067,448
		<u>65,877,607</u>	<u>62,515,769</u>	<u>61,350,139</u>
Expenses				
Governance		(3,506,139)	(3,968,005)	(3,507,924)
General Purpose Funding		(1,473,181)	(1,002,214)	(779,388)
Law, Order, Public Safety		(3,677,420)	(3,497,607)	(3,208,509)
Health		(841,251)	(757,587)	(688,720)
Education and Welfare		(4,509,717)	(4,600,233)	(4,244,654)
Housing		(98,550)	(117,172)	(137,772)
Community Amenities		(10,961,694)	(10,770,345)	(10,418,575)
Recreation and Culture		(16,715,926)	(16,830,977)	(15,597,966)
Transport		(17,005,552)	(16,977,134)	(16,547,147)
Economic Services		(1,996,901)	(2,007,971)	(1,956,907)
Other Property and Services		(3,979,104)	(2,779,794)	(3,477,918)
		<u>(64,765,435)</u>	<u>(63,309,039)</u>	<u>(60,565,480)</u>
Finance Costs				
Governance		(29,459)	(29,459)	(42,448)
General Purpose Funding		(18,582)	(18,582)	(66,060)
Education and Welfare		(75,311)	(75,311)	(88,960)
Recreation and Culture		(40,714)	(37,151)	(40,019)
Transport		(396,408)	(390,300)	(367,565)
Other Property and Services		(35,803)	(45,212)	(31,697)
		<u>(596,277)</u>	<u>(596,015)</u>	<u>(636,749)</u>
Fair Value Adjustments to Financial Assets at Fair Value through Profit or Loss				
General Purpose Funding		(317,445)	-	556,744
Non-Operating Grants, Subsidies and Contributions				
Law, Order, Public Safety		311,633	350,000	-
Education and Welfare		301,952	89,956	131,862
Recreation and Culture		2,022,533	1,823,580	1,078,755
Transport		1,029,685	1,893,264	1,720,737
Other Property and Services		-	-	2,070,000
		<u>3,665,803</u>	<u>4,156,800</u>	<u>5,001,354</u>

CITY OF FREMANTLE
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM (continued)
FOR THE YEAR ENDED 30TH JUNE 2012

	NOTE	2012 \$	2012 Budget \$	2011 \$
Profit/(Loss) on Disposal of Assets				
Governance		(3,637)	(6,536)	-
Law, Order, Public Safety		(4,067)	(5,628)	(7,613)
Health		(4,302)	(2,622)	-
Education and Welfare		(6,649)	745	(21,114)
Community Amenities		(3)	-	-
Recreation and Culture		(1,792)	-	(2,220)
Transport		(25,345)	150,000	2,499
Economic Services		(24)	-	-
Other Property and Services		(4,866)	(432,549)	(1,743,760)
		<u>(50,685)</u>	<u>(296,590)</u>	<u>(1,772,208)</u>
Fair Value Adjustments to Non Financial Assets at Fair Value through Profit or Loss				
Governance		(539,652)	-	(1,484,676)
Transport		(219,928)	-	-
Other Property and Services		(38,962)	-	(3,650,278)
Economic Services		(270,000)	-	-
		<u>(1,068,542)</u>	<u>-</u>	<u>(5,134,954)</u>
Net Result		<u>2,745,026</u>	<u>2,470,925</u>	<u>(1,201,154)</u>
Other Comprehensive Income				
Unclassified		(3,739,285)	-	(2,738,702)
Governance		(308,137)	-	-
Transport		(269,929)	-	-
Economic Services		(270,000)	-	-
Other Property & Services		(163,962)	-	-
Community Amenities		1,088,033	-	865,047
Total Other Comprehensive Income		<u>(3,663,280)</u>	<u>-</u>	<u>(1,873,655)</u>
Total Comprehensive Income		<u><u>(918,254)</u></u>	<u><u>2,470,925</u></u>	<u><u>(3,074,809)</u></u>

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

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

	NOTE	2012 \$	2011 \$	1 July 2010 \$
CURRENT ASSETS				
Cash and Cash Equivalents	3	18,691,792	20,366,160	18,474,340
Investments	4	3,487,881	5,684,188	10,921,263
Trade and Other Receivables	5	2,527,933	1,907,441	1,874,553
Inventories	6	185,961	178,704	156,705
TOTAL CURRENT ASSETS		<u>24,893,567</u>	<u>28,136,493</u>	<u>31,426,861</u>
NON-CURRENT ASSETS				
Other Receivables	5	1,003,700	1,197,252	1,341,144
Investments	4	9,373,437	8,049,486	6,534,249
Property, Plant and Equipment	7(a)	135,158,869	134,388,483	130,132,199
Investment Property	7(b)	56,125,000	56,115,000	59,940,000
Intangibles	7(c)	734,842	1,238,443	1,188,032
Infrastructure	8	198,765,083	198,273,095	200,157,802
TOTAL NON-CURRENT ASSETS		<u>401,160,931</u>	<u>399,261,759</u>	<u>399,293,426</u>
TOTAL ASSETS		<u>426,054,498</u>	<u>427,398,252</u>	<u>430,720,287</u>
CURRENT LIABILITIES				
Trade and Other Payables	9	7,188,178	6,959,086	7,601,397
Long Term Borrowings	10	1,596,419	2,285,758	1,864,456
Provisions	11	5,208,846	4,973,781	4,264,735
TOTAL CURRENT LIABILITIES		<u>13,993,443</u>	<u>14,218,625</u>	<u>13,730,588</u>
NON-CURRENT LIABILITIES				
Long Term Borrowings	10	8,320,744	8,590,603	9,182,119
Provisions	11	757,338	687,797	831,544
TOTAL NON-CURRENT LIABILITIES		<u>9,078,082</u>	<u>9,278,400</u>	<u>10,013,663</u>
TOTAL LIABILITIES		<u>23,071,525</u>	<u>23,497,025</u>	<u>23,744,251</u>
NET ASSETS		<u>402,982,973</u>	<u>403,901,227</u>	<u>406,976,036</u>
EQUITY				
Retained Surplus		152,115,845	148,602,090	146,323,685
Reserves - Cash/Investments Backed	12	8,026,208	8,718,932	11,333,444
Reserves - Asset Revaluation	13	242,840,920	246,580,205	249,318,907
TOTAL EQUITY		<u>402,982,973</u>	<u>403,901,227</u>	<u>406,976,036</u>

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

**CITY OF FREMANTLE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2012**

NOTE	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
Balance as at 1 July 2010	146,323,685	11,333,444	249,318,907	406,976,036
Changes in Accounting Policy				-
Correction of Errors				-
	<hr/>	<hr/>	<hr/>	<hr/>
Restated Balance	146,323,685	11,333,444	249,318,907	406,976,036
Net Result	(1,201,154)	-	-	(1,201,154)
Total Other Comprehensive Income	865,047	-	(2,738,702)	(1,873,655)
Reserve Transfers	2,614,512	(2,614,512)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2011	148,602,090	8,718,932	246,580,205	403,901,227
Net Result	1,732,998	-	-	1,732,998
Total Other Comprehensive Income	1,088,033		(3,739,285)	(2,651,252)
Reserve Transfers	692,724	(692,724)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2012	<u>152,115,845</u>	<u>8,026,208</u>	<u>242,840,920</u>	<u>402,982,973</u>

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

**CITY OF FREMANTLE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
Cash Flows From Operating Activities				
Receipts				
Rates		32,359,997	32,539,000	29,897,184
Operating Grants, Subsidies and Contributions		5,106,249	4,294,000	4,864,139
Fees and Charges		24,096,419	22,873,000	21,777,496
Service Charges		421,357	419,000	613,520
Interest Earnings		2,571,024	1,942,000	2,397,260
Goods and Services Tax		3,982,650	2,700,000	3,644,964
Other Revenue		543,559	0	587,683
		<u>69,081,255</u>	<u>64,767,000</u>	<u>63,782,246</u>
Payments				
Employee Costs		(28,755,109)	(29,340,000)	(27,167,109)
Materials and Contracts		(23,191,854)	(19,344,000)	(19,073,655)
Utility Charges		(1,878,007)	(1,836,000)	(1,616,408)
Insurance Expenses		(755,550)	(638,000)	(563,027)
Interest expenses		(624,553)	(596,000)	(667,368)
Goods and Services Tax		(2,908,084)	(3,000,000)	(2,637,663)
Other Expenditure		(1,443,922)	(1,428,000)	(1,578,423)
		<u>(59,557,079)</u>	<u>(56,182,000)</u>	<u>(53,303,653)</u>
Net Cash Provided By (Used In) Operating Activities	14(b)	<u>9,524,176</u>	<u>8,585,000</u>	<u>10,478,593</u>
Cash Flows from Investing Activities				
Payments for Development of Land Held for Resale		0		
Payments for Purchase of Property, Plant & Equipment		(3,278,775)	(4,651,000)	(3,248,031)
Payments for Construction of Infrastructure		(11,686,302)	(14,271,000)	(12,296,872)
Advances to Community Groups				
Payments for Purchase of Investments		(1,641,396)		(1,515,237)
Non-Operating Grants, Subsidies and Contributions		3,665,804	4,157,000	2,951,354
Proceeds from Sale of Plant & Equipment		272,131	920,000	227,017
Proceeds from Advances				
Proceeds from Sale of Investments				
Net Cash Provided By (Used In) Investing Activities		<u>(12,668,538)</u>	<u>(13,845,000)</u>	<u>(13,881,769)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(2,308,758)	(2,286,000)	(2,160,755)
Repayment of Finance Leases				
Proceeds from Self Supporting Loans		232,885	0	228,135
Proceeds from New Debentures		1,349,560	1,850,000	1,990,541
Net Cash Provided By (Used In) Financing Activities		<u>(726,313)</u>	<u>(436,000)</u>	<u>57,921</u>
Net Increase (Decrease) in Cash Held		(3,870,675)	(5,696,000)	(3,345,255)
Cash at Beginning of Year		26,050,348	25,472,000	29,395,603
Cash and Cash Equivalents at the End of the Year	14(a)	<u><u>22,179,673</u></u>	<u><u>19,776,000</u></u>	<u><u>26,050,348</u></u>

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

**CITY OF FREMANTLE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE	2012 Actual \$	2012 Budget \$	2011 Actual \$
REVENUE				
Service Charges (Underground Power)	26	421,357	419,022	613,520
Operating Grants and Subsidies	30	5,106,249	4,294,355	4,864,139
Capital Grants and Subsidies/Contributions for the Development of Assets	30	3,665,804	4,156,800	5,001,354
Fees and Charges	29	24,692,568	22,873,115	23,011,979
Interest Earnings	2(a)	2,571,024	1,941,531	2,397,260
Profit on Sale of Assets	22	-	150,000	-
Other Revenue		910,074	448,600	974,801
		<u>37,367,076</u>	<u>34,283,423</u>	<u>36,863,053</u>
EXPENSES				
Employee Costs		(29,206,799)	(29,347,694)	(27,753,403)
Materials and Contracts		(23,476,594)	(20,498,622)	(19,929,185)
Depreciation on Non Current Assets	2(a)	(9,065,660)	(9,559,810)	(9,125,034)
Interest Expenses	2(a)	(596,278)	(596,015)	(636,749)
Utilities		(1,878,007)	(1,836,647)	(1,616,408)
Loss on Sale of Assets	22	(50,686)	(446,590)	(1,772,208)
Insurance Expenses		(755,550)	(638,210)	(563,027)
Other Expenditure		(3,139,909)	(1,428,056)	(6,713,377)
		<u>(68,169,483)</u>	<u>(64,351,644)</u>	<u>(68,109,391)</u>
Net Operating Result Excluding Rates		(30,802,407)	(30,068,221)	(31,246,338)
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
(Profit)/Loss on Asset Disposals		50,686	296,590	1,772,208
Non Cash Revenue Adjustment		(56,515)	(56,515)	
Provision for Dividend - Investment Trust		-	(151,562)	
Depreciation	2(a)	9,065,660	9,559,810	9,125,034
Impairment of Assets		1,411,274	-	4,747,777
Capital Expenditure and Revenue				
Purchase Land Held for Resale				
Purchase Land and Buildings		(644,309)	(1,215,450)	(2,817,573)
Purchase Infrastructure Assets - All		(11,686,302)	(14,271,252)	(12,296,872)
Purchase Vehicles and Heavy Plant		(928,260)	(1,405,500)	(593,358)
Purchase Furniture, Plant and Equipment		(1,578,948)	(1,898,580)	(1,436,502)
Purchase Art Collection		(18,064)	(17,000)	(17,153)
Purchase Intangible Assets		(147,445)	(115,000)	(433,445)
Proceeds from Disposal of Assets	22	272,131	919,850	227,017
Repayment of Debentures	23	(2,308,758)	(2,285,758)	(2,160,756)
Investment in Managed Funds		(553,363)	(350,000)	(329,251)
Proceeds from New Debentures	23(b)	1,349,560	1,849,560	1,990,541
Self-Supporting Loan Principal Income	5(a)	232,355	229,338	228,666
Transfers to Reserves (Restricted Assets)	12	(1,788,511)	(1,784,962)	(568,795)
Transfers from Reserves (Restricted Assets)	12	2,481,235	3,550,488	3,183,306
ADD Estimated Surplus/(Deficit) July 1 B/Fwd		7,178,548	6,811,018	7,758,858
LESS Estimated Surplus/(Deficit) June 30 C/Fwd		4,063,973	2,136,000	7,178,548
Amount Required to be Raised from Rates	24	<u>(32,535,406)</u>	<u>(32,539,146)</u>	<u>(30,045,184)</u>

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

**CITY OF FREMANTLE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE	2012 Actual \$	2012 Budget \$	2011 Actual \$
Revenue				
Governance		489,535	254,329	288,430
General Purpose Funding		4,269,597	2,759,831	3,997,510
Law, Order, Public Safety		2,837,759	2,310,182	1,849,955
Health		381,254	321,678	383,315
Education and Welfare		2,256,127	1,774,571	2,067,957
Housing		100,704	130,000	107,167
Community Amenities		1,471,631	1,570,770	1,644,524
Recreation and Culture		8,218,810	7,520,210	6,876,985
Transport		11,918,715	11,671,974	11,506,726
Economic Services		1,073,091	1,334,002	1,003,036
Other Property and Services		4,667,296	4,189,286	7,137,448
		<u>37,684,519</u>	<u>33,836,833</u>	<u>36,863,053</u>
Expenses				
Governance		(4,638,539)	(3,997,464)	(5,035,048)
General Purpose Funding		(1,809,207)	(1,020,796)	(845,448)
Law, Order, Public Safety		(3,681,487)	(3,497,607)	(3,216,122)
Health		(845,553)	(757,587)	(688,720)
Education and Welfare		(4,591,677)	(4,675,544)	(4,354,728)
Housing		(98,550)	(117,172)	(137,772)
Community Amenities		(10,961,697)	(10,770,345)	(10,418,575)
Recreation and Culture		(16,758,432)	(16,868,128)	(15,640,205)
Transport		(18,217,162)	(17,367,434)	(16,912,213)
Economic Services		(2,536,925)	(2,007,971)	(1,956,907)
Other Property and Services		(4,347,697)	(2,825,006)	(8,903,653)
		<u>(68,486,926)</u>	<u>(63,905,054)</u>	<u>(68,109,391)</u>
Net Result Excluding Rates		(30,802,407)	(30,068,221)	(31,246,338)
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
(Profit)/Loss on Asset Disposals	22	50,686	296,590	1,772,208
Non Cash Revenue Adjustment		(56,515)	(56,515)	
Provision for Dividend - Investment Trust			(151,562)	
Depreciation and Amortisation on Assets	2(a)	9,065,660	9,559,810	9,125,034
Impairment of Assets		1,411,274	-	4,747,777
Capital Expenditure and Revenue				
Purchase Land Held for Resale				
Purchase Land and Buildings		(644,309)	(1,215,450)	(2,817,573)
Purchase Infrastructure Assets - All		(11,686,302)	(14,271,252)	(12,296,872)
Purchase Vehicles and Heavy Plant		(928,260)	(1,405,500)	(593,358)
Purchase Furniture and Equipment		(1,578,948)	(1,898,580)	(1,436,502)
Purchase Art Collection		(18,064)	(17,000)	(17,153)
Purchase Intangible Assets		(147,445)	(115,000)	(433,445)
Purchase of Investments - Managed Funds		(553,363)	(350,000)	(329,251)
Proceeds from Disposal of Investments				
Proceeds from Disposal of Assets	22	272,131	919,580	227,017
Repayment of Debentures	23	(2,308,758)	(2,285,758)	(2,160,756)
Proceeds from New Debentures	23(b)	1,349,560	1,849,560	1,990,541
Self-Supporting Loan Principal Income		232,355	229,338	228,666
Transfers to Reserves (Restricted Assets)	12	(1,788,511)	(1,784,962)	(568,795)
Transfers from Reserves (Restricted Assets)	12	2,481,235	3,550,488	3,183,306
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	24	7,178,548	6,811,018	7,758,858
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	24	4,063,973	2,136,000	7,178,548
Amount Required to be Raised from Rates	24	<u>(32,535,406)</u>	<u>(32,539,416)</u>	<u>(30,045,184)</u>

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

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

The financial report is a general purpose financial statement which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the local Government Act 1995 and accompanying regulations.

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

Critical Accounting Estimates

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

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

(b) The Local Government Reporting Entity

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

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

All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 20 to these financial statements.

(c) Goods and Services Tax

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

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

(e) Trade and Other Receivables

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

(f) Inventories

General

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land Held for Resale

Land purchased for development and/or resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until Finance costs and holding charges incurred after development is completed are expensed.

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

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

(g) Fixed Assets

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

Initial Recognition

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Revaluation

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

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

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

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

Land under Roads

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

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

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

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

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

Depreciation of Non-Current Assets

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Depreciation of Non-Current Assets (Continued)

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

Buildings	40 years
Furniture and Equipment	5 to 10 years
Plant and Equipment	5 to 17 years
Computer Hardware	3 to 5 years
Intangible Assets (Computer Software)	5 years
Intangible Assets (Business acquisition - Visitor Centre)	Nil
Infrastructure Roads	20 to 60 years
Infrastructure Footpaths	15 to 100 years
Infrastructure Drainage	75 years
Infrastructure Parks & Reserves	15 to 30 years

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

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

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

Capitalisation Threshold

Assets are capitalised at cost or where acquired for at no or nominal cost at fair value. Items whose cost or fair value is less than the thresholds below are expensed in the year of acquisition:-

Freehold Land and Buildings	No Limit
Vehicles, Plant and Equipment	\$1,000
Intangibles	\$1,000
Art Collection	No Limit
Infrastructure	\$10,000

(h) Financial Instruments

Initial Recognition and Measurement

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

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement

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

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

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method; and
- (d) less any reduction for impairment.

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

(iv) Available-for-sale financial assets

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

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to the asset previously recognised in other comprehensive income, is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as non-current.

(v) Financial liabilities

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

Impairment

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

Derecognition

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

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment

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

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard (eg AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

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

(j) Trade and Other Payables

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

(k) Employee Benefits

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

(l) Borrowing Costs

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

(m) Provisions

Provisions are recognised when:

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

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases

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

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

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

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

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

(o) Joint Venture

The Council's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the appropriate line items of the financial statement. Information about the joint venture is set out in Note 17.

The Council's interest in joint venture entities are recorded using the equity method of accounting in the financial report.

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

(p) Rates, Grants, Donations and Other Contributions

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Superannuation

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

(r) Current and Non-Current Classification

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

(s) Rounding Off Figures

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

(t) Comparative Figures

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

(u) Budget Comparative Figures

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2012.

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(vii) AASB 2010 - 10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters [AASB 2009 - 11 & 2010 - 7]	December 2010	01 January 2013	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2011 - 2 Amendments to Australian Accounting Standards - Arising from the Trans-Tasman Consequence Project - Reduced Disclosure Requirements. [AASB 101 & 1054]	May 2011	01 July 2013	
AASB 2011 - 3 Amendments to Australian Accounting Standards - Orderly Adoption of Changes to ABS GFS manual and related Amendments. [AASB 1049]	May 2011	01 July 2012	
AASB 2011 - 6 Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements [AASB 127,128 & 131]	July 2011	01 July 2013	

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(xi) AASB 119 - Employee Benefits, AASB 2011 - 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretation 14]	September 2011	01 January 2013	The changes in relation to defined benefit plans contained in this standard are not expected to significantly impact the Council nor are the changes to AASBs in relation to termination benefits.
(xii) AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	September 2011	01 July 2013	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2011 – 12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]	November 2011	01 January 2013	
AASB 2011 – 13 Amendments to Australian Accounting Standards – Improvements to AASB 1049	December 2011	01 July 2012	

Notes:

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

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

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

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

2. REVENUE AND EXPENSES

2012
\$

2011
\$

(a) Net Result

The Net Result includes:

(i) Charging as an Expense:

Significant Expense

General Purpose Funding

(317,445)	556,744
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This significant expense in both years relates to fair value of financial assets.

Amortisation

Capitalised Leased Assets

- -

Auditors Remuneration

- Audit

24,250	23,100
--------	--------

- Other Services

5,750	5,650
<u>30,000</u>	<u>28,750</u>

Depreciation

Buildings

310,002	398,858
---------	---------

Furniture and Equipment

655,815	603,122
---------	---------

Plant and Equipment

581,364	568,108
---------	---------

Intangible Assets

381,046	383,034
---------	---------

Buildings - Infrastructure

1,533,280	1,605,924
-----------	-----------

Roads

3,923,134	3,896,457
-----------	-----------

Footpaths

959,588	953,002
---------	---------

Drainage

285,662	283,737
---------	---------

Parks and Reserves

435,769	432,792
<u>9,065,660</u>	<u>9,125,034</u>

Interest Expenses (Finance Costs)

Finance Lease Charges

- -

Debentures (refer Note 22(a))

596,278	636,749
<u>596,278</u>	<u>636,749</u>

Rental Charges

- Operating Leases

15,715	15,715
--------	--------

- Rental Agreements

869,641	643,415
<u>885,356</u>	<u>659,130</u>

(ii) Crediting as Revenue:

2012
\$

2012
Budget
\$

2011
\$

Interest Earnings

Investments

- Reserve Funds

485,609	450,000	401,048
---------	---------	---------

- Other Funds

1,698,929	1,156,531	1,654,392
-----------	-----------	-----------

Other Interest Revenue (refer note 28)

386,486	335,000	341,820
<u>2,571,024</u>	<u>1,941,531</u>	<u>2,397,260</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

GOVERNANCE

Operation of the election of community representatives to Council. Meeting costs to Council, its committees and Councillor representation at public and civic events. Conferences and meetings, e.g. Citizenship ceremonies and Local Government week. Council's strategic planning and policy making responsibilities. Fees, allowances and elected members expenses. Cost of Council's staff in relation to supporting elected members planning, policy making and representation role. Corporate support including accounting, budgeting and annual reports and general activity associated with employing staff and providing resources to service Council.

GENERAL PURPOSE FUNDING

Operation of the rating function, funding process of the Grants Commission and interest earned from cash management and investing activity.

LAW, ORDER, PUBLIC SAFETY

Operation of various Council by-laws, ranger services, public safety and animal control.

HEALTH

Operation of environmental health, food control and pest control.

EDUCATION AND WELFARE

Operation of pre-school and other education services. Operation and support in the care of families and children, senior citizens and other voluntary services.

HOUSING

Operation of housing for rent.

COMMUNITY AMENITIES

Operation of rubbish and recyclable waste collection services, noise control, protection of the environment, provision of public toilets and administration of the town planning scheme.

RECREATION AND CULTURE

Operation of civic centre, public halls, swimming pool, recreation centres, parks and reserves, libraries, arts centre, heritage issues and other cultural facilities.

TRANSPORT

Operation of construction and maintenance of roads, drainage works, footpaths, street lighting plus on and off street parking facilities.

ECONOMIC SERVICES

Operation of tourism services, implementation of building controls and economic development.

OTHER PROPERTY AND SERVICES

Operation of private works, plant and public works overheads.

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

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions		Opening Balance (*) 1-Jul-10	Received (+) 2010/11	Expended (#) 2010/11	Closing Balance (*) 30-Jun-11	Received (+) 2011/12	Expended (#) 2011/12	Closing Balance 30-Jun-12
Grant/Contribution	Function/ Activity	\$	\$	\$	\$	\$	\$	\$
PCYC		2,048,641	487,920	(2,536,561)	-	-	-	-
Enviro Fund		45,455	(45,455)	-	-	-	-	-
HACC Non Recurrent Growth Funds		39,323	39,389	(39,323)	39,389	12,000	(39,389)	12,000
Tenancy Program		4,464	102,280	(101,296)	5,448	123,239	(128,687)	-
Commonwealth Legal Aid - Family Relationships		12,500	-	(12,500)	-	-	-	-
Mews Road rail crossing - DOT		-	475,000	-	475,000	-	(475,000)	-
Attorney General's Department		-	130,700	(108,736)	21,964	96,142	(118,106)	-
Count Me In Inclusion - Hilton Harvest Community		-	-	-	-	50,000	-	50,000
Dept Educ, Emp & Workplace Relations		-	30,000	(18,161)	11,839	18,182	(11,386)	18,635
Roads to Recovery		17,600	242,452	(253,409)	6,643	131,841	(67,834)	70,650
					-			-
					-			-
Total		<u>2,167,983</u>	<u>1,462,286</u>	<u>(3,069,986)</u>	<u>560,283</u>	<u>431,404</u>	<u>(840,402)</u>	<u>151,285</u>

Notes:

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

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

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

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

	2012 \$	2011 \$
3. CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	18,691,792	20,366,160
Investments	3,487,881	5,684,188
	<u>22,179,673</u>	<u>26,050,348</u>
Unrestricted	12,307,048	15,893,026
Restricted	9,872,625	10,157,322
	<u>22,179,673</u>	<u>26,050,348</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Investment Reserve Fund	3,950,051	3,314,952
Heritage Places Reserve		1,166,392
Hilton Community Facilities Reserve		-
Parks, Recreation & Facilities Reserve	177,640	164,754
Arts & Cultural Facilities Reserve	149,801	206,679
Heritage Property Acquisition Reserve	505,892	-
Parking Dividend Equalisation Reserve	2,505,540	2,953,483
Carbon Neutrality Reserve	159,255	159,255
Service Charge UGP East Reserve	55,623	282,718
Fremantle Markets Conservation Reserve	522,406	470,699
Other Restricted Funds	1,344,859	1,233,842
Unexpended Loans	501,558	204,548
	<u>9,872,625</u>	<u>10,157,322</u>
4. INVESTMENTS		
Financial assets at fair value through profit or loss	<u>3,487,881</u>	<u>5,684,188</u>
Financial assets at fair value through profit or loss		
At beginning of the year	5,684,188	10,921,263
Revaluation to Income Statement	(46,145)	609,616
Additions	709,838	-
Disposals	(2,860,000)	(5,846,691)
At end of the year	<u>3,487,881</u>	<u>5,684,188</u>
Held for trading		
- Managed Funds		
At beginning of the year	6,926,013	6,275,823
Revaluation to Income Statement	(317,445)	320,939
Additions	553,363	329,251
Disposals	-	-
At end of the year	<u>7,161,931</u>	<u>6,926,013</u>
Equity Investment (Non Current) - Refer Note 17	<u>2,211,506</u>	<u>1,123,473</u>

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

	2012 \$	2011 \$
5. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	674,969	489,002
Sundry Debtors	1,350,396	773,504
GST Receivable	323,121	472,112
Loans - Clubs/Institutions	179,447	172,823
	<u>2,527,933</u>	<u>1,907,441</u>
Non-Current		
Rates Outstanding - Pensioners	345,358	355,916
Loans - Clubs/Institutions	658,342	841,336
	<u>1,003,700</u>	<u>1,197,252</u>

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

5. (a) Loan Advances

				2010/2011	2011/2012				
	Amount of Initial Advance	Term of Advance Years	Date of Advance	Outstanding Principal 30 June 2011	Interest	Principal	Total Repayment	Adjustment for Impairment of Interest	Outstanding Principal 30 June 2012
<u>Self Supporting Loans - General</u>									
Silver Chain	2,200,000	10	14-Jun-06	980,967	-	220,000	220,000	56,515	817,482
				980,967	-	220,000	220,000	56,515	817,482
<u>Loans under Sport & Recreation Capital Loans Scheme</u>									
Hilton Park Bowling Club	15,000	11	14-Feb-01	1,476	24	1,476	1,500	-	-
Colo Colo Soccer Club	3,500	11	22-Apr-03	1,017	16	334	350	-	683
Hilton Park Bowling Club	10,000	11	22-Apr-03	2,904	47	2,904	2,951	-	-
Fremantle Rugby League Club	5,000	11	22-Apr-03	1,452	24	476	500	-	976
Fremantle Hockey Club	8,176	11	22-Apr-03	2,376	38	2,376	2,414	-	-
North Fremantle Associated Clubs	13,000	11	28-Jun-05	4,996	80	1,220	1,300	-	3,776
South Fremantle Football Club	27,700	11	21-Jun-05	13,199	214	2,556	2,770	-	10,643
Don Quijote Hilton Park Inc	11,000	11	17-Nov-05	5,241	87	1,013	1,100	-	4,228
				32,661	530	12,355	12,885	-	20,306
Total All Advances				1,013,628	530	232,355	232,885	56,515	837,788

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

	2012 \$	2011 \$
6. INVENTORIES		
Current		
Depot Fuel and Materials	87,614	85,122
Arts Centre Stock on Hand	37,930	44,017
Leisure Centre Stock on Hand	56,300	49,565
Fremantle Visitor Centre	4,117	-
	<u>185,961</u>	<u>178,704</u>
7 (a) PROPERTY, PLANT AND EQUIPMENT		
Land - Independent Valuation 2012	119,712,513	119,785,404
Less Accumulated Depreciation	<u>-</u>	<u>-</u>
	119,712,513	119,785,404
Buildings - Independent Valuation 2012	5,541,250	5,625,000
Less Accumulated Depreciation	<u>-</u>	<u>-</u>
	5,541,250	5,625,000
Furniture and Equipment - Cost	12,147,550	12,221,300
Less Accumulated Depreciation	<u>(7,794,855)</u>	<u>(8,756,190)</u>
	4,352,695	3,465,110
Plant and Equipment - Cost	6,080,477	5,950,319
Less Accumulated Amortisation	<u>(2,420,724)</u>	<u>(2,311,944)</u>
	3,659,753	3,638,375
Art Collection - Independent Valuation 1999	1,735,869	1,717,805
Art Collection - Cost	<u>156,789</u>	<u>156,789</u>
	1,892,658	1,874,594
	<u>135,158,869</u>	<u>134,388,483</u>
7 (b) INVESTMENT PROPERTY		
Investment Land - Independent Valuation 2012	49,650,000	49,340,000
Less Accumulated Depreciation	<u>-</u>	<u>-</u>
	49,650,000	49,340,000
Investment Buildings - Independent Valuation 2012	6,475,000	6,775,000
Less Accumulated Depreciation	<u>-</u>	<u>-</u>
	6,475,000	6,775,000
	<u>56,125,000</u>	<u>56,115,000</u>
7 (c) INTANGIBLES		
Intangible Assets - Cost	2,548,728	2,671,283
Less Accumulated Depreciation	<u>(1,813,886)</u>	<u>(1,432,840)</u>
	734,842	1,238,443
	<u>734,842</u>	<u>1,238,443</u>

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

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

	Land	Land Investment	Buildings	Building Investment	Furniture & Equipment	Plant & Equipment	Art Collection	Intangible Asset	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at the beginning of the year	119,785,404	49,340,000	5,625,000	6,775,000	3,465,110	3,638,375	1,874,594	1,238,443	191,741,926
Additions	25,232	-	596,528	22,548	1,578,948	890,010	18,064	147,445	3,278,775
(Disposals)					(35,548)	(287,268)			(322,816)
Revaluation - Increments		310,000							310,000
- (Decrements)	(98,123)		(539,652)	(153,172)					(790,947)
Impairment - (Losses)								(270,000)	(270,000)
- Reversals									-
Depreciation (Expense)			(140,626)	(169,376)	(655,815)	(581,364)		(381,046)	(1,928,227)
									-
Carrying amount at the end of year	<u>119,712,513</u>	<u>49,650,000</u>	<u>5,541,250</u>	<u>6,475,000</u>	<u>4,352,695</u>	<u>3,659,753</u>	<u>1,892,658</u>	<u>734,842</u>	<u>192,018,711</u>

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

	2012 \$	2011 \$
8. INFRASTRUCTURE		
Roads - Management Valuation 2012	84,172,870	
Roads - Management Valuation 2011		87,530,215
Roads - Cost		
Less Accumulated Depreciation		0
	<u>84,172,870</u>	<u>87,530,215</u>
 Footpaths - Management Valuation 2012	 27,723,702	
Footpaths - Management Valuation 2011		27,534,609
Less Accumulated Depreciation		
	<u>27,723,702</u>	<u>27,534,609</u>
 Drainage - Management Valuation 2012	 10,439,883	
Drainage - Management Valuation 2011		10,294,058
Less Accumulated Depreciation		
	<u>10,439,883</u>	<u>10,294,058</u>
 Parks & Ovals - Management Valuation 2012	 17,147,005	
Parks & Ovals - Management Valuation 2011		11,583,340
Less Accumulated Depreciation		
	<u>17,147,005</u>	<u>11,583,340</u>
 Buildings - Management Valuation 2012	 59,281,500	
Buildings - Management Valuation 2011		61,330,750
Less Accumulated Depreciation		
	<u>59,281,500</u>	<u>61,330,750</u>
 Vested Land - at nominal value	 <u>123</u>	 <u>123</u>
	<u><u>198,765,083</u></u>	<u><u>198,273,095</u></u>

Council have adopted a policy of re-valuing with sufficient regularity to ensure the carrying amount of each road asset is fairly stated at reporting date.

This policy also accords with AASB 116.

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

8. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

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

	Roads \$	Footpaths \$	Drainage \$	Parks and Ovals \$	Buildings \$	Vested Land \$	Total \$
Balance at the beginning of the year	87,530,215	27,534,609	10,294,058	11,583,340	61,330,750	123	198,273,095
Additions	3,543,849	763,578	449,180	3,012,418	3,511,558	405,719	11,686,302
(Disposals)							-
Revaluation - Increments - (Decrements)	(2,978,060)	385,103	(17,693)	2,987,016	(4,027,528)	(405,719)	3,372,119 (7,429,000)
Impairment - (Losses) - Reversals							- -
Depreciation (Expense)	(3,923,134)	(959,588)	(285,662)	(435,769)	(1,533,280)		(7,137,433)
							-
Carrying amount at the end of year	<u>84,172,870</u>	<u>27,723,702</u>	<u>10,439,883</u>	<u>17,147,005</u>	<u>59,281,500</u>	<u>123</u>	<u>198,765,083</u>

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

	2012 \$	2011 \$
9. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	4,788,336	4,496,339
Accrued Interest on Debentures	134,861	163,136
Accrued Salaries and Wages	557,506	469,059
Income Received in Advance	175,890	228,489
GST Payable	219,831	141,538
Bonds and Deposits Held	1,311,754	1,460,525
	<u>7,188,178</u>	<u>6,959,086</u>
10. LONG-TERM BORROWINGS		
Current		
Secured by Floating Charge		
Debentures	1,596,419	2,285,758
Lease Liability	-	-
	<u>1,596,419</u>	<u>2,285,758</u>
Non-Current		
Secured by Floating Charge		
Debentures	8,320,744	8,590,603
Lease Liability	-	-
	<u>8,320,744</u>	<u>8,590,603</u>
Additional detail on borrowings is provided in Note 22.		
11. PROVISIONS		
Current		
Fremantle Markets - Prepaid Lease	12,964	12,964
Provision for Annual Leave	2,259,939	2,010,847
Provision for Long Service Leave	2,280,358	2,248,711
Leasehold Premiums - Tapper St	655,585	701,259
	<u>5,208,846</u>	<u>4,973,781</u>
Non-Current		
Fremantle Markets - Prepaid Lease	172,100	185,064
Provision for Long Service Leave	585,238	502,733
	<u>757,338</u>	<u>687,797</u>

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

	2012 \$	2012 Budget \$	2011 \$
12. RESERVES - CASH BACKED			
(a) Investment Reserve			
Opening Balance	3,314,952	3,314,952	3,314,952
Amount Set Aside / Transfer to Reserve	635,099	635,099	-
Amount Used / Transfer from Reserve	-	-	-
	<u>3,950,051</u>	<u>3,950,051</u>	<u>3,314,952</u>
(b) Art and Cultural Facilities Reserve			
Opening Balance	206,679	206,679	206,679
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	(56,878)	(200,000)	-
	<u>149,801</u>	<u>6,679</u>	<u>206,679</u>
(c) Building Maintenance Reserve			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
(d) Heritage Places Reserve			
Opening Balance	1,166,392	1,187,361	1,274,306
Amount Set Aside / Transfer to Reserve	490,526	490,526	368,000
Amount Used / Transfer from Reserve	(1,151,026)	(1,385,000)	(475,914)
	<u>505,892</u>	<u>292,887</u>	<u>1,166,392</u>
(e) Parking Dividend Equalisation Reserve			
Opening Balance	2,953,483	2,953,484	4,106,095
Amount Set Aside / Transfer to Reserve	500,000	500,000	-
Amount Used / Transfer from Reserve	(947,943)	(1,675,900)	(1,152,612)
	<u>2,505,540</u>	<u>1,777,584</u>	<u>2,953,483</u>
(f) Parks, Recreation and Facilities Reserve			
Opening Balance	164,754	161,768	309,258
Amount Set Aside / Transfer to Reserve	12,886	9,337	9,337
Amount Used / Transfer from Reserve	-	-	(153,841)
	<u>177,640</u>	<u>171,105</u>	<u>164,754</u>
(g) Security Services Reserve			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
(h) Hilton Community Facilities Reserve			
Opening Balance	-	-	1,050,327
Amount Set Aside / Transfer to Reserve	-	-	41,458
Amount Used / Transfer from Reserve	-	-	(1,091,785)
	<u>-</u>	<u>-</u>	<u>-</u>

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

	2012 \$	2012 Budget \$	2011 \$
12. RESERVES - CASH/INVESTMENT BACKED (continued)			
(i) Carbon Neutrality Reserve			
Opening Balance	159,255	159,255	159,255
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	-
	<u>159,255</u>	<u>159,255</u>	<u>159,255</u>
(j) Service Charge - Underground Power East Scheme Reserve			
Opening Balance	282,718	270,210	581,593
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	(227,095)	(214,588)	(298,875)
	<u>55,623</u>	<u>55,622</u>	<u>282,718</u>
(k) Fremantle Markets Conservation Reserve			
Opening Balance	470,699	300,979	330,979
Amount Set Aside / Transfer to Reserve	150,000	150,000	150,000
Amount Used / Transfer from Reserve	(98,293)	(75,000)	(10,280)
	<u>522,406</u>	<u>375,979</u>	<u>470,699</u>
(l) Sump Relocation and Improvement Reserve			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CASH BACKED RESERVES	<u><u>8,026,208</u></u>	<u><u>6,789,162</u></u>	<u><u>8,718,932</u></u>

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

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

On 15th December 2003, Council adopted a strategic policy on Reserve Funds. That policy classified reserves into three groupings as follows:

- (i) Indefinite or Long Term Reserves
- (ii) 5 Year Plan & Asset Maintenance Reserves
- (iii) Short Term Reserves to meet External Requirements

CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

(i) Indefinite or Long Term Reserves

(a) Investment Reserve

Purpose

Established for the purpose of realising and making investments in income producing assets. A specified list of investment properties forms part of the investments. Funds will not be withdrawn from the reserve to subsidise operating or recurrent expenditure, nor shall funds be withdrawn for the purposes of providing community facilities that do not provide a commercial rate of return unless specifically decided otherwise by Council.

Council Policy SG14 Investments - Property and Other Non-Current Assets also refers.

Source of Income

Net proceeds of sale of nominated freehold properties unless otherwise resolved by Council.

Net proceeds from the sale of land, unless otherwise resolved by Council

Transfer from municipal fund of principal repayment equivalent for Loan 189 (Queensgate) that was paid out in January 2005 using funds from the Investment Reserve.

(ii) 5 Year Plan & Asset Maintenance Reserves

(b) Arts and Cultural Facilities Reserve

Purpose

Finance and encourage Public Art in the City of Fremantle. Finance the design and construction of a water fountain within the Kings Square reserve. Finance and encourage the establishment of cultural facilities within the municipality.

Source of Income

Municipal fund contribution as approved by Council in the Annual Budget.

(c) Building Maintenance Reserve

Purpose

Finance capital or major upgrades of all Council buildings.

Finance significant or major maintenance programs on Council buildings.

Source of Income

Municipal fund contribution as approved by Council in the Annual Budget.

(d) Heritage Places Reserve

- The Heritage Property Acquisition & Major Renewal Reserve was amalgamated with the Heritage Places Reserve and the purpose and sources of funding added to the Heritage Places Reserve in the 2010/2011 Budget.

Purpose of Reserve

- Finance the major upgrading and maintenance (including painting) to the Fremantle Town Hall.
- Conserve heritage places already owned by or vested in the Council.
- Augment external funds allocated to the City for the purpose of heritage conservation.
- Provide assistance to other owners of heritage places within the municipality where Council is satisfied that this is a proper, cost-effective and lawful use of the funds.
- To administer conservation fund appeals.
- To finance the additional costs of higher specified infrastructure improvements (e.g., footpaths, roads, landscaping, buildings, etc) to areas abutting or adjacent to heritage places where the higher specifications are incurred to maintain the area in sympathy with the heritage place.
- Purchase heritage properties within the municipality of Fremantle, which:
 - Are in a distinct need of conservation.
 - Council can conserve according to the Burra Charter principles
 - Enable Council to demonstrate the Burra Charter model of conservation for others to follow; or
 - In Council's estimation would not otherwise be conserved (restored) in accordance with Burra Charter principles.
- Finance major renewal, restoration or maintenance to heritage properties.
- Council Policy SG30 Heritage Places Reserve also refers.

CITY of FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

12. RESERVES - CASH/INVESTMENT BACKED (continued)

Source of Income

- Municipal Fund contribution as approved by Council in the Annual Budget.
- Net sale of proceeds from sale of properties whose initial acquisition and restoration was financed from this reserve.

Security Services Reserve

Purpose of Reserve

- Finance the security service within the specified area (refer Note 2). Intended services/facilities are physical presence on the street, call out/response capability, lighting and infrastructure improvements, inspection regime plus CCTV camera monitoring.

Source of Income

- Revenue raised from a specified area rate which was not spent on the purpose within the financial year the specified area rates were raised.

(e) Parking Dividend Equalisation Reserve

Purpose

Provide smoothing out of revenue contributions to operations from commercial parking activities. That is done as follows:- (a) by transferring net profits in excess of budget to the Reserve, and (b) if needed when there is a material (i.e. >1%) net loss, transferring funds from the reserve to municipal fund to compensate for the loss. Fund commercial parking capital equipment and facilities to the extent that the funds available in the Reserve exceed 2.5% of budgeted gross parking revenue.

Source of Income

Transfer from municipal fund net profit on commercial parking operations exceeding \$3,737,791 which was the 2006/2007 Adopted Budget net profit from commercial parking operations plus \$150,000 contribution to Streets Vision from night parking fees. Note: Net profit is calculated including depreciation and allocated support service costs, but excludes capital. Transfer from municipal fund amount(s) determined by Council through the Adopted Budget or Budget Review in relation to parking infringement operations.

(f) Parks, Recreation and Facilities Reserve

Purpose

Finance improvements within the South Fremantle Tip reserve, Kings Square reserve, Port & Leighton Beach reserve and improvements or major refurbishments to other parks and recreation facilities.

Finance tourism projects within the city. Finance capital works and improvements at Fremantle Oval.

Finance facilities for sporting clubs on a self-supporting loan basis in accordance with Council guidelines for such advances to clubs.

Source of Income

Municipal fund contribution as approved by Council in the Annual Budget.

(g) Security Services Reserve

Purpose

Finance the security service within the specified area. Intended services/facilities include physical presence on the street, call out/response capability, lighting and infrastructure improvements, inspection regime plus CCTV monitoring.

Source of Income

Revenue raised from a specified area rate which was not spent on that purpose within the financial year the specified area rates were raised.

(h) Hilton Community Facilities Reserve

Purpose

Provide further community facilities in the Hilton area with the Reserve being closed once all funds utilised.

Source of Income

Net proceeds from the sale of freehold land at Lots 1 and 4 Paget Street Hilton.

CITY of FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

12. RESERVES - CASH/INVESTMENT BACKED (continued)

(i) Carbon Neutrality Reserve

Purpose

Fund carbon neutral and/or carbon reduction initiatives.

Source of Income

Municipal fund contribution as approved by Council in the Annual Budget.

(j) Service Charge - Underground Power East Scheme Reserve

Purpose

To hold any service charges raised during the financial year that were unspent at 30 June relating to the Underground Power East Scheme.

Source of Income

Revenue raised from a service charge that was unspent at the end of the financial year, i.e. 30 June.

(k) Fremantle Markets Conservation Reserve

Purpose

Fund conservation works to the Fremantle markets.

Source of Income

Contribution by the lessee on signing of the new lease in June 2008. Increase of the rent derived from the premises for the first ten years of the lease commencing in June 2008 as a minimum to assist in obtaining external funding for implementing the Conservation Plan.

(l) Sump Relocation and Improvement

Purpose

To assist in funding sump relocation or improvement projects.

Source of Income

Any surplus funds which may arise from the net selling price for the O'Hara Street property.

(iii) Short Term Reserves to meet External Requirements - Currently no reserve exists.

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

13. RESERVES - ASSET REVALUATION

2011
\$

2010
\$

Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:

(a) Land Freehold

Opening balance	126,400,525	121,244,244
Revaluation Increment	1,296,876	5,156,281
Revaluation Decrement	-	-
	<u>127,697,401</u>	<u>126,400,525</u>

(b) Land Investment

Opening Balance	-	-
Revaluation Increment	-	-
Revaluation Decrement	-	-
	<u>-</u>	<u>-</u>

(c) Buildings Freehold

Opening balance	-	-
Revaluation Increment	10,000	-
Revaluation Decrement	-	-
	<u>10,000</u>	<u>-</u>

(d) Buildings Investment

Opening Balance	-	-
Revaluation Increment	-	-
Revaluation Decrement	-	-
	<u>-</u>	<u>-</u>

(e) Art Collection

Opening balance	538,385	538,385
Revaluation Increment	-	-
Revaluation Decrement	-	-
	<u>538,385</u>	<u>538,385</u>

(f) Roads

Opening Balance	59,468,316	58,576,642
Revaluation Increment	-	891,674
Revaluation Decrement	(3,567,817)	-
	<u>55,900,499</u>	<u>59,468,316</u>

(g) Footpaths

Opening balance	10,251,530	11,085,104
Revaluation Increment	3,171,802	-
Revaluation Decrement	-	(833,574)
	<u>13,423,332</u>	<u>10,251,530</u>

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

13. RESERVES - ASSET REVALUATION (continued)

(h) Drainage		
Opening Balance	2,549,178	2,749,011
Revaluation Increment	-	-
Revaluation Decrement	(735,317)	(199,833)
	<u>1,813,861</u>	<u>2,549,178</u>
(i) Parks & Ovals		
Opening Balance	-	86,201
Revaluation Increment	2,987,016	-
Revaluation Decrement	-	(86,201)
	<u>2,987,016</u>	<u>-</u>
(j) Infrastructure Buildings		
Opening balance	50,110,973	51,430,488
Revaluation Increment	-	-
Revaluation Decrement	(9,640,547)	(1,319,515)
	<u>40,470,426</u>	<u>50,110,973</u>
TOTAL ASSET REVALUATION RESERVES	<u>242,840,920</u>	<u>249,318,907</u>

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

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

	2012 \$	2012 Budget \$	2011 \$
Cash and Cash Equivalents	<u>22,179,673</u>	<u>19,776,000</u>	<u>26,050,348</u>

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

Net Result	1,732,998	2,470,925	(1,201,154)
Amortisation	1,329,473		4,747,836
Depreciation	9,065,660	9,559,810	9,125,034
Insurance		638,210	
(Profit)/Loss on Sale of Asset	50,686	(296,590)	1,772,208
(Increase)/Decrease in Receivables	(362,560)	-	(50,952)
(Increase)/Decrease in Inventories	(7,257)	-	(21,999)
Increase/(Decrease) in Payables	1,076,374	369,445	543,675
Increase/(Decrease) in Employee Provisions	304,606	-	565,299
Grants/Contributions for the Development of Assets	(3,665,804)	(4,156,800)	(5,001,354)
Net Cash from Operating Activities	<u>9,524,176</u>	<u>8,585,000</u>	<u>10,478,593</u>

(c) Undrawn Borrowing Facilities
Credit Standby Arrangements

Bank Overdraft limit	250,000	250,000
Bank Overdraft at Balance Date	-	-
Credit Card limit	483,000	33,000
Credit Card Balance at Balance Date	(6,075)	(11,135)
Total Amount of Credit Unused	<u>726,925</u>	<u>271,865</u>

Loan Facilities

Loan Facilities - Current	1,596,419	2,285,758
Loan Facilities - Non-Current	8,320,744	8,590,603
Total Facilities in Use at Balance Date	<u>9,917,163</u>	<u>10,876,361</u>

Unused Loan Facilities at Balance Date	<u>501,558</u>	<u>204,548</u>
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CITY OF FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

15. CONTINGENT LIABILITIES

(a) The City has guaranteed by way of agreement its share of the Loan Liability to the Southern Metropolitan Regional Council (SMRC) and the Western Australian Treasury Corporation (funding body). The City's share of the outstanding loan liability of the Southern Metropolitan Regional Council (SMRC) as at 30 June 2012 is \$4,137,620 (representing 8.95% of \$46,209,539). This is made up of \$3,976,520 for the Resource Recovery Centre loan liability and \$161,100 for the SMRC Administration Loan Liability.

(b) Department of Environment and Conservation (DEC) claim for landfill levies at the Lefroy Road tip site. The city issued a license to a company to transfer material and then re-grade it within the Lefroy Road Tip site and DEC claim the material transferred is "waste" and that it has been "disposed of to landfill" within the meaning of the Waste Avoidance and Resource Recovery Levy Regulations (2008) and as a consequence waste levies should have been paid on the material transferred. The city disputes DEC's claims that waste levies are payable in respect of the transferred material. At 30 June 2010 the value claimed by DEC was \$865,272 (i.e., 72,106 cubic metres by \$12.00 per cubic metre). Since 1 July 2010 a further \$239,004 is claimed (i.e., 19,917 cubic metres by \$12.00 per cubic metre).

16. CAPITAL AND LEASING COMMITMENTS

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

(a) Finance Lease Commitments

Payable:

- not later than one year
- later than one year but not later than five years
- later than five years

Minimum Lease Payments

Less Future Finance Charges

Total Lease Liability

-	-
-	-
-	-
-	-
-	-
-	-
-	-

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:

- not later than one year
- later than one year but not later than five years
- later than five years

5,238	15,715
-	5,238
-	-
5,238	20,953

(b) Rental Agreement Commitments

Non-cancellable rental agreements contracted for but not capitalised in the accounts.

Payable:

- not later than one year
- later than one year but not later than five years
- later than five years

786,187	643,415
1,671,523	2,309,509
-	-
2,457,710	2,952,924

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

	2012	2011
	\$	\$
16. CAPITAL AND LEASING COMMITMENTS (continued)		
(c) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	953,513	1,644,051
- plant & equipment purchases	60,332	1,169,627
Payable:		
- not later than one year	1,013,845	2,813,678

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

17. JOINT VENTURE

Joint Venture Investment Canning Vale Regional Resource Recovery Centre (RRRC)

The RRRC is a controlled entity by a regional local government established in accordance with the Local Government Act 1995. The regional local government is the South Metropolitan Regional Council (SMRC) currently consisting of six local governments with four participating in the joint venture. The City of Canning departed the SMRC and RRRC in 2010. The RRRC's purpose is to maximise diversion of waste from landfill and gain economies of scale reducing costs of collecting waste.

Participating Councils contribute an annual fee to cover the capital cost of setting up the facility and pay gate fees per ton of waste delivered to the facility to cover operating costs. The capital cost each member Council pays is based on Australian Bureau of Statistics population data. Each Council has equity in the project equal to the relevant proportion of total capital loan repayments made by that Council. The City guarantees by way of agreement its share of the Loan Liability to SMRC and Western Australian Treasury Corporation as per Note 15.

	Unaudited 2012 \$	Unaudited 2011 \$
Interest in joint venture entity	1,123,473	258,426
(1) Retained Surplus attributable to joint venture interest		
Balance at the beginning of the financial year	1,123,473	258,426
Adjustment due to participant withdrawal	1,493,418	927,389
Share of joint venture profit from ordinary activities	(405,385)	(62,342)
Balance at the end of the financial year	<u>2,211,506</u>	<u>1,123,473</u>
(2) Carrying Amount of Investment in joint venture entity		
Balance at the beginning of the financial year	1,123,473	258,426
Adjustment due to audit of SMRC	1,493,418	927,389
Share of joint venture profit from ordinary activities	(405,385)	(62,342)
Balance at the end of the financial year	<u>2,211,506</u>	<u>1,123,473</u>
(3) Share of joint venture entity's results and financial position		
Current assets	1,766,762	2,223,862
Non Current assets	5,116,805	3,567,400
Total assets	<u>6,883,567</u>	<u>5,791,262</u>
Current Liabilities	1,507,432	1,567,560
Non Current Liabilities	3,164,629	3,100,229
Total Liabilities	<u>4,672,061</u>	<u>4,667,789</u>
Net assets	<u>2,211,506</u>	<u>1,123,473</u>
Revenues	2,677,772	2,706,884
Expenses	(3,083,157)	(2,777,100)
Other Revenue	-	7,874
Profit (Loss) from ordinary activities	<u>(405,385)</u>	<u>(62,342)</u>

CITY of FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

17. JOINT VENTURE (continued)

The City of Fremantle is a related party to the Southern Metropolitan Regional Council (SMRC) who control the Canning Vale Regional Resource Recovery Centre (RRRC). The City's share of the RRRC is 8.99% prior to the departure of the City of Canning and 12.93% post departure of the City of Canning. After departure of the City of Canning membership of the RRRC is Fremantle plus three other Councils. Related Party transactions with the SMRC and RRRC amount to \$2,309,216 for 2011/2012. These are made up of loan repayments for \$468,244 membership fees for \$83,723 and waste and recycling fees for \$1,757,249.

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	404,699,521	403,814,594
General Purpose Funding	134,278	194,017
Law, Order, Public Safety	555,044	146,783
Health	20,393	-
Education and Welfare	287,222	200,717
Housing	-	8,624
Community Amenities	4,032	66
Recreation and Culture	6,750,266	9,400,636
Transport	6,030,332	5,723,193
Economic Services	4,917	305,848
Other Property and Services	7,568,493	7,603,774
Unallocated	-	-
	<u>426,054,498</u>	<u>427,398,252</u>

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

	2012	2011	2010
19. FINANCIAL RATIOS			
Current Ratio	1.20	1.45	1.34
Untied Cash to Unpaid Trade Creditors Ratio	2.46	3.43	4.02
Debt Ratio	0.05	0.05	0.06
Debt Service Ratio	0.04	0.05	0.05
Gross Debt to Revenue Ratio	0.15	0.18	0.24
Gross Debt to Economically Realisable Assets Ratio	0.04	0.05	0.07
Rate Coverage Ratio	0.50	0.50	0.46
Outstanding Rates Ratio	0.02	0.02	0.03

The above ratios are calculated as follows:

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

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

20. TRUST FUNDS

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

	Balance 1-Jul-11 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-12 \$
Cash In Lieu of Public Open Space*	1,155,475	35,594	(651,565)	539,504
Youth Services Residential Tenancy Bonds	3,946	-	-	3,946
	<u>1,159,421</u>	<u>35,594</u>	<u>(651,565)</u>	<u>543,450</u>
*Source of Public Open Space Funds				
37 Strang St Beaconsfield Sub-division	309,588	9,537	-	319,125
17-21 Mather Rd Subdivision	153,352	4,724	-	158,076
Lot 16 Curedale/Lefroy Rd Beaconsfield	692,535	21,333	(651,565)	62,303
	<u>1,155,475</u>	<u>35,594</u>	<u>(651,565)</u>	<u>539,504</u>

21. RESTRICTED CASH

Funds held at balance date over which the City has control but which have conditions attached.

Detail	Balance 1-Jul-11 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-12 \$
Cash In Lieu of Parking	757,055	-	-	757,055
Cash In Lieu of Public Open Space				
ICI Site North Fremantle	87,259	-	-	87,259
29 Annie Street	67,700	-	-	67,700
Christian Brothers Site	131,830	-	-	131,830
Lot 502 Lefroy Road	61,600	-	-	61,600
Starline Gardens	2,940	-	-	2,940
Swan Hardware	26,899	-	-	26,899
Culver/Naylor	15,242	-	-	15,242
Bequests				
Gweneth Ewens	36,072	5,030	-	41,102
John Francis Boyd	2,700	-	-	2,700
Victor Felstead	27,674	8,832	(6,363)	30,143
Miscellaneous	16,872	505,200	(401,683)	120,389
	<u>1,233,843</u>	<u>519,062</u>	<u>(408,046)</u>	<u>1,344,859</u>

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

22. DISPOSALS OF ASSETS - 2011/12 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Buildings Infrastructure	-	382,500	-	-	-	(382,500)
Fleet and Heavy Plant	287,269	427,343	267,641	367,000	(19,628)	(60,343)
Furniture and Equipment	35,548	6,597	4,490	2,850	(31,058)	(3,747)
Land - Freehold	-	400,000		550,000	-	150,000
	322,817	1,216,440	272,131	919,850	(50,686)	(296,590)

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

23. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1-Jul-11 \$	New Loans \$	Principal Repayments		Principal 30-Jun-12		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
223 Streetscape Program	313,589		28,899	28,899	284,690	284,690	21,378	21,378
225 Streets Ahead (1)	632,623		50,368	50,369	582,255	582,254	42,460	42,460
231 Streets Vision - Lighting Improvement Program	1,664		1,664	1,665	-	-	-	-
232 Streets Ahead (2)	670,916		47,325	47,325	623,591	623,591	42,729	42,729
236 Streets Ahead (3)	572,173		35,440	35,440	536,733	536,733	36,644	36,644
242 Booyembara Park	88,985		25,528	25,528	63,457	63,457	4,491	4,492
244 Stan Reilly Building Upgrade	23,624		6,777	6,777	16,847	16,847	1,193	1,193
245 City Blueprint Projects	161,433		46,312	46,312	115,121	115,121	8,148	8,148
247 City Blueprint Projects	385,357		82,531	82,531	302,826	302,826	19,448	19,448
248 Footpath Replacements	148,595		31,824	31,824	116,771	116,771	7,499	7,499
252 Footpath Replacements	120,482		20,080	20,079	100,402	100,402	6,746	6,746
255 City Blueprint Projects	40,080		40,080	40,081	-	-	-	-
257 City Blueprint Projects	313,327		248,513	248,512	64,814	64,815	11,547	11,547
258 Footpath Replacements	140,424		18,678	18,678	121,746	121,746	8,902	8,902
261 Markets Upgrade	50,948		40,409	31,409	10,539	19,538	1,878	1,878
265 Footpath Replacement	239,006		25,802	25,802	213,204	213,204	16,968	16,968
266 Heavy Plant/Vehicle Replacements	304,047		128,748	128,748	175,299	175,300	17,529	17,529
267 Local Government Software Acquisition	249,220		105,532	105,531	143,688	143,689	14,368	14,368
268 Local Government Software Acquisition	340,176		98,528	98,529	241,648	241,646	15,091	15,091
269 Heritage Restoration Projects	526,460		50,560	50,560	475,900	475,900	30,941	30,941
271 Road Asset Program	945,051		79,172	79,172	865,879	865,878	53,956	53,693
272 Footpath Asset Program	519,778		43,545	43,544	476,233	476,234	29,531	29,531
277 Road Asset Program	1,000,000		56,943	56,943	943,057	943,057	55,048	55,048
278 Footpath Asset Program	490,541		27,933	27,933	462,608	462,608	26,741	26,741
279 Fremantle Markets Upgrade	500,000		28,472	28,472	471,528	471,528	27,524	27,524
280 Road Rehabilitation & Improvement Program	-	600,000	-	-	600,000	600,000	-	-
281 Footpath Replacement Program	-	349,560	-	-	349,560	349,560	-	-
283 Fremantle Markets Upgrade	-	400,000	-	-	400,000	400,000	-	-
	8,778,499	1,349,560	1,369,663	1,360,663	8,758,396	8,767,395	500,760	500,498

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

23. INFORMATION ON BORROWINGS (continued)

(a) Repayments - Debentures (continued)

	Principal 1-Jul-11 \$	New Loans \$	Principal Repayments		Principal 30-Jun-12		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Self Supporting Loans								
251 Silver Chain - Self Supporting Loan	1,323,758	-	220,613	220,614	1,103,145	1,103,145	74,119	74,119
259 Underground Power Scheme Financing	192,469	-	152,655	152,654	39,814	39,814	7,093	7,093
260 Underground Power - Council Contribution	76,421	-	60,613	46,613	15,808	29,808	2,816	2,816
262 UGP East Scheme Finance Instalment 1	413,298	-	413,298	413,298	-	-	7,798	7,797
263 UGP East Scheme Finance Instalment 1	57,970	-	57,970	57,970	-	-	1,130	1,130
268A Specified Area Rate Chalmers/Knutsford	33,946	-	33,946	33,946	-	-	2,562	2,562
Sub Total of Self Supporting Loans*	2,097,862	-	939,095	925,095	1,158,767	1,172,767	95,518	95,517
Total as per Consolidated Financial Statements	10,876,361	1,349,560	2,308,758	2,285,758	9,917,163	9,940,162	596,278	596,015
Loans from Controlled Entity								
193 Property Purchase - Fast Eddys	523,137	-	33,539	33,539	489,598	489,599	40,461	40,461
233 Montreal Open Space Stage Two	9,321	-	9,321	9,321	0	0	0	0
235 Montreal Open space Stage Three	10,381	-	8,238	8,239	2,143	2,142	336	336
239 Booyembara Park Stages 2 & 3	45,376	-	19,522	19,521	25,854	25,855	1,719	1,719
240 Streets Ahead Program	110,136	-	6,487	6,487	103,649	103,649	5,847	5,847
250 Leisure Centre Developments	65,382	-	14,003	14,003	51,379	51,379	3,226	3,226
256 Light Vehicle Replacement	30,278	-	30,278	30,277	0	0	0	0
Sub Total	794,011	-	121,388	121,387	672,623	672,624	51,589	51,589
City of Fremantle Loan Liability	11,670,372	1,349,560	2,430,146	2,407,145	10,589,786	10,612,786	647,867	647,604

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

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

23. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2011/12

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used	
	Actual \$	Budget \$						Actual \$	Budget \$
280 Road Rehabilitation & Improvement Program	600,000	600,000	WATC	Debenture	10	132,097	3.93	600,000	600,000
281 Footpath Replacement Program	349,560	349,560	WATC	Debenture	10	76,960	3.93	349,560	349,560
282 Leighton Kiosk Redevelopment		500,000	-	Debenture	10	-	-	-	500,000
283 Fremantle Markets Upgrade	400,000	400,000	WATC	Debenture	10	87,975	3.93		400,000
	1,349,560	1,849,560						949,560	1,849,560

(c) Unspent Debentures

Particulars	Year Borrowed	Balance 1-Jul-11 \$	Borrowed During Year \$	Expended During Year \$	Balance 30-Jun-12 \$
257 Blueprint Projects	2006/2007	204,548	-	93,626	110,922
287 Fremantle Markets Upgrade	2011/2012	-	400,000	9,364	390,636
		204,548	400,000	102,990	501,558

(d) Overdraft

Council has established an overdraft facility of \$250,000 to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2011 and 30 June 2012 was \$Nil.

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

24. RATING INFORMATION - 2011/12 FINANCIAL YEAR

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Total Revenue \$
Differential General Rate									
General Differential	0.06781	8,702	296,790,896	20,125,394	413,258	20,538,652	20,088,925	257,150	20,346,075
City Centre Commercial	0.07161	389	74,605,164	5,342,476	39,602	5,382,078	5,340,843	-	5,340,843
Vacant Residential land	0.12827	438	10,281,430	1,318,799	(233,381)	1,085,418	1,318,703	-	1,318,703
Undeveloped CBD Zone Property	0.13562	3	605,500	82,118		82,118	82,118	-	82,118
Nightclubs	0.13562	3	2,188,367	296,786		296,786	296,786	-	296,786
Sub-Totals		9,535	384,471,357	27,165,573	219,479	27,385,052	27,127,375	257,150	27,384,525
Minimum Rates	Minimum \$								
General Differential	1014	4,793	60,886,842	4,860,102	-	4,860,102	4,869,228	-	4,869,228
City Centre Commercial	1014	49	491,823	49,686	-	49,686	49,686	-	49,686
Vacant Residential land	1014	96	602,786	97,344	-	97,344	97,344	-	97,344
Undeveloped CBD Zone Property	1014	-	-	-	-	-	-	-	-
Nightclubs	1014	-	-	-	-	-	-	-	-
Sub-Totals		4,938	61,981,451	5,007,132	-	5,007,132	5,016,258	-	5,016,258
Property Totals		14,473	446,452,808			32,392,184			32,400,783
Ex-Gratia Rates						-			-
Specified Area Rate (refer note 24)						143,222			138,363
						32,535,406			32,539,146
Totals						32,535,406			32,539,146

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

24. RATING INFORMATION - 2011/12 FINANCIAL YEAR

	2012 (1 July 2011 Brought Forward) \$	2011 (30 June 2011 Carried Forward) \$
(b) Information on Surplus/(Deficit) Brought Forward		
Surplus/(Deficit) 1 July 2011 Brought Forward	<u>7,178,548</u>	<u>4,081,910</u>
<u>Comprises:</u>		
Cash - Unrestricted	12,307,049	15,893,026
Cash - Restricted	9,872,624	10,157,322
Investments - Restricted		-
Rates - Current	1,020,327	844,918
Sundry Debtors	1,350,398	786,468
GST Receivable	323,121	472,112
Inventories	185,961	178,704
- Fuel and Materials		
- History Books		
Less:		
Reserves - Restricted Cash		
- Leave Reserve	(8,026,208)	(8,718,932)
- Plant Reserve		
- Building Reserve		
Reserves - Restricted Investments		
- Building Reserve		
Sundry Creditors	(7,222,793)	(6,955,532)
Accrued Interest on Debentures		
Accrued Salaries and Wages		
Current Employee Benefits Provision	(5,090,920)	(4,778,278)
Other Provisions	(655,586)	(701,260)
Surplus/(Deficit)	<u>4,063,973</u>	<u>7,178,548</u>

Difference:

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

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

25. SPECIFIED AREA RATE - 2011/12 FINANCIAL YEAR

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Security Levy	0.00113	GRV	88,958,613	100,340	100,495	100,495	100,495
Chalmers/Knutsford UGP	0.00890	GRV	889,980	7,921	7,921	7,921	7,921
Leighton Precinct Maintenance	0.00488	GRV	63,136,615	34,961	29,947	-	29,947
				143,222	138,363	108,416	138,363

(a) Security Service.

In 2004/2005, Council introduced a security service for a specified area of the City Centre which is recovered via a specified area rate. The area covered by the service is those areas within the following boundary:- *"the area bounded by Parry Street, South Terrace, Suffolk Street, Fishing Boat Harbour (west of Mews Road) and along the coast to Bathers Beach, Fleet Street, Phillimore Street, and Elder Place."*

The objectives of the service are:-

- (a) Reduce anti-social behaviour on the street, e.g. theft, vandalism, graffiti
- (b) Reduce noise and disturbance for residents
- (c) Reduce illegal drug and street drinking activity
- (d) Better monitor and respond to impacts of licensed premises
- (e) Achieve safer, smoother access and transport solutions at "night hotspot times"

The services/facilities that it is intended to provide are:-

- Physical presence on the street
- Call out/response capability
- Lighting & Infrastructure Improvements
- Inspection regime
- Installation, maintenance and/or monitoring of security cameras

(b) Underground Power in Chalmers/Knutsford Street.

Property owners within the scheme area are required to pay the costs including the interest on loan borrowings to fund the loan raised to meet the construction costs. The costs will be recovered over five years commencing 2007/2008 and finishing 2011/2012. The construction phase of the scheme was completed in 2007/2008. Council Item SGS0707-4 of 25 July 2007 refers.

(c) Leighton Precinct Maintenance

To fund the above normal costs associated with maintaining the higher standard of the landscaping of the Leighton residential area.

26. SERVICE CHARGES - 2011/12 FINANCIAL YEAR

	Amount of Charge \$	Revenue Raised \$	Budget Revenue \$	Applied to Service Costs \$	Budget Applied to Costs \$
Underground Power East Principal	Various	421,357	419,022	421,357	419,022
Underground Power East Interest	Various	83,652	84,037	83,652	84,037
		505,009	503,059	505,009	503,059

This scheme involves approximately 1,619 properties. It covered residential properties east of a mainly residential area between East Street and Tuckfield Street and a generally commercial East Street, area between Quarry Street and Beach Street. The scheme was first invoiced in 2006/2007 therefore for those property owners paying by instalments; this was year 6 of a 6 year repayment period. The construction phase of the scheme took two years and was completed in June 2008.

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

26. SERVICE CHARGES - 2011/12 FINANCIAL YEAR (continued)

Based on a reconciliation of the total project an adjustment amount of 2.692% of the original charge amount was be credited to each UGP assessment in 2011/2012 to reflect the reconciliation of the expenditure and revenues of the project. The \$55,623 remaining in the UGP Reserve will used to fund the final loan repayment for the scheme that was due on 1 July 2012.

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

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
Rates	Waiver		275,551	220,000
Outdoor Dining licenses	Discount		7,793	-
Sundry Debtors	Write Off		19,109	-

28. INTEREST CHARGES AND INSTALMENTS - 2011/12 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		132,830	95,000
Interest on Instalments Plan	7.00%		170,004	160,000
Interest on Service Charges			83,652	80,000
Total Interest			386,486	335,000
Charges on Instalment Plan		30	126,428	125,000
			899,400	795,000

Ratepayers had the option of paying rates in four equal instalments, due on 22nd September 2011, 24th November 2011, 2nd February 2012 and 5th April 2012. Administration charges and interest applied for the final three instalments.

	2012 \$	2011 \$
29. FEES & CHARGES		
Governance	6,963	3,596
General Purpose Funding	270,704	222,062
Law, Order, Public Safety	2,453,242	1,841,804
Health	381,251	383,316
Education and Welfare	165,096	134,274
Housing	99,910	106,921
Community Amenities	1,461,811	1,582,968
Recreation and Culture	4,707,691	4,551,804
Transport	10,555,007	9,693,123
Economic Services	651,735	389,516
Other Property and Services	3,939,158	4,102,595
	<u>24,692,568</u>	<u>23,011,979</u>

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

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

30. GRANT REVENUE

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

	2012	2011
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	5,106,249	4,864,139
Non-Operating Grants, Subsidies and Contributions	3,665,804	5,001,354
	<u>8,772,053</u>	<u>9,865,493</u>
By Program:		
Governance	165,754	81,413
General Purpose Funding	1,263,230	945,592
Law, Order, Public Safety	311,633	0
Health	0	0
Education and Welfare	2,083,916	1,932,864
Housing	0	0
Community Amenities	0	40,264
Recreation and Culture	3,478,457	2,272,166
Transport	1,135,443	1,749,759
Economic Services	0	0
Other Property and Services	333,620	2,843,435
	<u>8,772,053</u>	<u>9,865,493</u>

31. ELECTED MEMBERS REMUNERATION

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

	2012	2012	2011
	\$	Budget	\$
		\$	
Meeting Fees	98,000	98,000	98,000
President's Allowance	60,000	60,000	60,000
Deputy President's Allowance	15,000	15,000	15,000
Elected Member Communication & Travel Allowance	29,965	25,000	17,000
Other Expenses and Conferences	27,758	60,000	26,810
Telecommunications	15,685	20,000	19,957
	<u>246,408</u>	<u>278,000</u>	<u>236,767</u>

32. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

2012	2011
<u>383</u>	<u>374</u>

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

33. MAJOR LAND TRANSACTIONS

Council did not advertise or undertake any previously advertised major land transactions during the 2011/2012 financial year. However the council is progressing with work on the following sites:-

(a) Kings Square Precinct Redevelopment

The Kings Square Project is the integrated development or redevelopment of a number of City-owned properties and functions - the library, administration offices, Queensgate Centre, Queensgate car park, Spicer site, Fremantle Visitor Centre and the public spaces within the Kings Square precinct - in conjunction with the redevelopment of the adjoining Myer building owned by Sirona Capital Management (Sirona). The City of Fremantle and Sirona are currently undertaking feasibility and scoping studies and conducting due diligence as part of an MOU agreement between the two parties. The City has engaged an external advisor to assist the production of a business plan, a requirement of the Local Government Act, prior to consideration of a binding Heads of Agreement to proceed with the project.

(b) Adelaide Street/Point Street Development

In July 2009 the City invited tenders for the purchase and redevelopment of the properties but the Council did not accept any of the tenders as the price offered was not considered adequate. In December 2009 Council confirmed that the disposal and redevelopment of the properties was a priority.

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

35 ASSETS OF THE CITY OF FREMANTLE TRUST

The Trust was set up by an Act of the Western Australian Parliament in 1961 and its operations are consolidated with the operations of the City of Fremantle

	2012	2011	2010
	\$	\$	\$
Cash & Investments	2,988,388	2,733,434	2,576,034
Loan Advances	672,623	672,623	794,010
Freehold Land & Buildings	1,700,000	1,700,000	1,700,000
Infrastructure Land & Buildings	1,683,876	1,760,001	1,834,875
	<u>7,044,887</u>	<u>6,866,058</u>	<u>6,904,919</u>

36 EVENTS POST 30 JUNE 2012

Nil

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

37. FINANCIAL RISK MANAGEMENT

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2012	2011	2012	2011
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	18,691,792	20,366,160	18,691,792	20,366,160
Receivables	3,531,633	3,104,693	3,531,633	3,104,693
Investments	12,861,318	12,610,201	12,861,318	12,610,201
	<u>35,084,743</u>	<u>36,081,054</u>	<u>35,084,743</u>	<u>36,081,054</u>
Financial Liabilities				
Payables	7,188,178	6,959,086	7,188,178	6,959,086
Borrowings	9,917,163	10,876,361	9,917,163	10,876,361
	<u>17,105,341</u>	<u>17,835,447</u>	<u>17,105,341</u>	<u>17,835,447</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Investments – based on quoted market prices at the reporting date or at independent valuation.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

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

37. 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.

	2012 \$	2011 \$
Impact of a 10% (*) movement in interest rates on cash and investments:		
- Equity	2,841,565	3,297,640
- Statement of Comprehensive Income	2,841,565	2,605,040

Notes:

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

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

Impact of a 1% (*) movement in interest rates on cash and investments:

- Equity	284,156	329,764
- Statement of Comprehensive Income	284,156	260,504

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

37. 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.

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:

	2012	2011
Percentage of Rates and Annual Charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of Other Receivables		
- Current	60.60%	71.43%
- Overdue	39.40%	28.57%

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

37. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2012</u>					
Payables	7,188,178			7,188,178	7,188,178
Borrowings	<u>1,596,419</u>	<u>4,697,693</u>	<u>3,623,051</u>	<u>9,917,163</u>	<u>9,917,163</u>
	<u>8,784,597</u>	<u>4,697,693</u>	<u>3,623,051</u>	<u>17,105,341</u>	<u>17,105,341</u>
<u>2011</u>					
Payables	6,959,086			6,959,086	6,959,086
Borrowings	<u>2,285,758</u>	<u>4,914,597</u>	<u>3,676,006</u>	<u>10,876,361</u>	<u>10,876,361</u>
	<u>9,244,844</u>	<u>4,914,597</u>	<u>3,676,006</u>	<u>17,835,447</u>	<u>17,835,447</u>

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

37. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings (Continued)

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
<u>Year Ended 30 June 2012</u>								
Payables	7,188,178							
Borrowings	1,596,419							
Fixed Rate								
Debentures	1,596,419	1,381,566	1,236,039	1,145,608	934,480	3,623,051	9,917,163	5.90%
Weighted Average Effective Interest Rate	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%		
<u>Year Ended 30 June 2011</u>								
Payables	6,959,086							
Borrowings	2,285,758							
Fixed Rate								
Debentures	2,285,758	1,513,024	1,265,702	1,115,553	1,020,318	3,676,006	10,876,361	6.53%
Weighted Average Effective Interest Rate	6.53%	6.53%	6.53%	6.53%	6.53%	6.53%		

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**Independent Auditor's Report
To the Ratepayers of the City of Fremantle**

We have audited the accompanying financial report of the City of Fremantle, which comprises the Statement of Financial Position as at 30 June 2012, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, for the year ended 30 June 2012, a summary of significant accounting policies and other explanatory notes, and the Chief Executive Officer's statement.

Council responsibility for the financial report

The Council of the City of Fremantle is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1995 Part 6. This responsibility includes establishing and maintaining internal control 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. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1995 Part 6 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the City of Fremantle's financial position and of their performance.

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 City of Fremantle:

- i. presents fairly the City of Fremantle's financial position as at 30 June 2012 and of its performance for the financial year ended 30 June 2012, and
- ii. complies with Australian Accounting Standards (including the Australian Accounting Interpretations),
- iii. are prepared in accordance with the requirements of the Local Government Act 1995 Part 6 (as amended) and Regulations under that Act.

Statutory Compliance

I did not, during the course of my audit, become aware of any instance where the Council did not comply with the requirements of the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996, as they relate to the financial statements.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



MJ Hillgrove
Partner – Audit & Assurance

Perth, 20 November 2012