

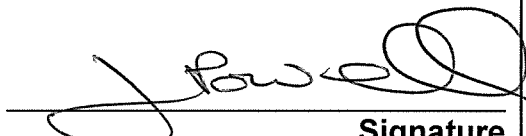


MINUTES

**CERTIFICATION OF CONFIRMATION OF
COMMITTEE MEETING MINUTES**

9 SEPTEMBER 2010

I, Cr Janet Powell, hereby certify that the following minutes [pages 1 to 58] of the Meeting of **AUDIT COMMITTEE** held on 9 September 2010 were held on 7 April 2011.



Signature

Cr Janet Powell

Person presiding at the Committee Meeting held on 7 April 2011

AUDIT COMMITTEE

MINUTES

9 September 2010

(REF: COMMITTEES-11384)

A meeting of the Audit Committee was held at the EMRC Administration Office, 1st Floor, 226 Great Eastern Highway, BELMONT WA 6104 on **Thursday, 9 September 2010**. The meeting commenced at **6.30pm**.

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1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Chairman opened the meeting at 6.30pm, introduced Councillors and EMRC Officers and welcomed Mr Tony Macri and Menon from Macri Partners.

2 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED

Councillor Attendance

Cr Janet Powell (Chairman)	EMRC Member	City of Belmont
Cr John Gangell (deputising for Cr Pule)	EMRC Member	Town of Bassendean
Cr Alan Radford	EMRC Member	City of Bayswater
Cr Alan Pilgrim (Deputy Chairman)	EMRC Member	Shire of Mundaring

Apologies

Cr Gerry Pule	EMRC Member	Town of Bassendean
Cr Frank Lindsey	EMRC Member	Shire of Kalamunda

Leave of Absence Previously Approved

Cr David Färdig
Cr Charlie Zannino

EMRC Officers

Mr Peter Schneider	Chief Executive Officer
Mr Brian Jones	Director Waste Services
Mr Jer Liew	Manager Financial Services
Ms Mary-Ann Winnett	Personal Assistant to Director Corporate Services (Minutes)

Visitors

Mr Tony Macri	Macri Partners
Menon	Macri Partners

Deputy Committee Members – Observers

Cr Graham Pittaway	City of Bayswater
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3 DISCLOSURE OF INTERESTS

Nil

4 ANNOUNCEMENT BY THE CHAIRMAN OR PERSON PRESIDING WITHOUT DISCUSSION

Nil

5 APPLICATION FOR LEAVE OF ABSENCE

Nil

6 PRESENTATIONS

Nil



7 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

7.1 MINUTES OF AUDIT COMMITTEE MEETING HELD ON 8 JULY 2010

That the Minutes of the Audit Committee meeting held 8 July 2010, which have been distributed, be confirmed.

AC RESOLUTION(S)

MOVED CR RADFORD SECONDED CR PILGRIM

THAT THE MINUTES OF THE AUDIT COMMITTEE HELD ON 8 JULY 2010, WHICH HAVE BEEN DISTRIBUTED, BE CONFIRMED.

CARRIED UNANIMOUSLY

8 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

Nil

9 QUESTIONS WITHOUT NOTICE

Nil

10 ANNOUNCEMENT OF CONFIDENTIAL MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC

Nil

11 BUSINESS NOT DEALT WITH FROM A PREVIOUS MEETING

Nil



12 REPORTS OF OFFICERS/AUDITORS

12.1 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2010

REFERENCE: COMMITTEES-11383

PURPOSE OF REPORT

To review Council's draft Annual Financial Report for the Year Ended 30 June 2010 and to recommend adoption of the Annual Financial Report for the Year Ended 30 June 2010.

KEY ISSUES AND RECOMMENDATION(S)

The 'Terms of Reference of the Audit Committee' includes a list of duties and responsibilities. Among those duties and responsibilities is a requirement for the Committee to:

- Review Council's draft annual financial report; and
- Recommend adoption of the Annual Financial Report to Council.

Recommendation(s)

That:

1. The audited Annual Financial Report for the Year Ended 30 June 2010 and the report of the Auditor on that Annual Financial Report be adopted.
2. In accordance with Regulation 51(2) of the Local Government (Financial Management) Regulations 1996, a copy of the 2009/2010 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.

SOURCE OF REPORT

Chief Executive Officer
Manager Financial Services

BACKGROUND

It is a requirement under s 6.4 of the Local Government Act 1995 that a Local Government is to prepare an annual financial report and submit it to its auditor by 30 September.

REPORT

The 'Terms of Reference of the Audit Committee' includes a list of duties and responsibilities. Among those duties and responsibilities (clauses 2.5 (a) (v) and (vi)) are requirements for the Committee to:

- (i) Review Council's draft annual financial report, focusing on:
 - Accounting policies and practices;
 - Changes to accounting policies and practices;
 - The process used in making significant accounting estimates;
 - Significant adjustments to the financial report (if any) arising from the audit process;
 - Compliance with accounting standards and other reporting requirements; and
 - Significant variances from prior years.



Item 12.1 continued

- (ii) Recommend adoption of the annual financial report to Council.

Council's auditor, Mr A Macri of Macri Partners has completed the audit of the Eastern Metropolitan Regional Council Annual Financial Report for the year ended 30 June 2010.

Attached is a copy of the audited Annual Financial Report for the year ended 30 June 2010 for recommendation to Council for adoption (refer Attachment 1).

The Auditor will be represented as required by Clause 2.2 (e) of the Audit Committee Terms of Reference when the Committee is reviewing the draft Annual Financial Report.

The following comments are provided on key elements of the financial results for 2009/2010.

Income Statement (pg 6 - 7 of 45)

Total Revenue of \$29,429,064 as at 30 June 2010 is \$2,475,444 greater than the 2008/2009 actual revenue from ordinary activities and \$133,431 above budget for 2009/2010.

Total Expenses of \$23,254,707 is \$2,515,570 greater than the 2008/2009 expenses and \$48,203 below budget for 2009/2010.

An actual profit of \$23,335 has resulted from the Disposal of Assets as at 30 June 2010 and is \$28,281 higher than the 2008/2009 actual loss of \$4,946 and \$19,158 below the budget for 2009/2010 of \$42,493.

An unrealised gain of \$621,457 has resulted from the change in the fair value of investments as at 30 June 2010 compared to an unrealised loss of \$3,250,474 as at 30 June 2009. Unrealised gains or losses represent a fair value measurement of the financial instruments during the period in which they are held, i.e. marked to market. It should be noted that actual gains or losses on financial instruments will not be realised until such time as the individual investments are sold.

The Actual Net Result of \$6,819,149 as at 30 June 2010 is \$3,860,086 below the level of 2008/2009 and \$783,933 above the 2009/2010 budget.

This variation to budget is principally a result of the unrealised gain of \$621,457 on the market value of investment.

Balance Sheet (pg 8 - 9 of 45)

Current assets as at 30 June 2010 have increased \$4,561,488 in comparison to the level stated as at 30 June 2009. This is due to the increase in level of cash and investments as well as an increase in Trade and Other Receivables (up \$384,522).

The overall impact on cash and investments at the close of the financial year is an increase of \$4,161,606 to \$28,167,898.

Current liabilities as at 30 June 2010 have increased by \$3,240,554 in comparison to the level stated as at 30 June 2009. The increase is attributable to an increase of \$3,068,002 in Trade and Other Payables, particularly higher landfill levy (\$1,767,714) as a result of higher landfill levy rate (up from \$7/tonne to \$28/tonne) and accrued discounts sought as well as payments due to the grant funds payable for the Solar City Project (\$660,000), Ascot Place Refurbishment (\$189,744) and the purchase of the truck for Red Hill (\$252,796).

The value of Reserves has decreased by \$1,901,616 in comparison to the level stated as at 30 June 2009. This is primarily as a result of the capital expenditure required from Reserve funds during the 2009/2010 financial year.

Overall equity has increased during the 2009/2010 financial year by \$6,819,148 to \$52,869,478.



Item 12.1 continued

Cash Flow Statement (pg 10 of 45)

Net Cash provided by Operating Activities of \$11,928,199 reflects an increase of \$4,434,066 from the 2008/2009 value of \$7,494,133.

The overall impact on the cash position at the close of the financial year is an increase of \$6,091,948 to \$21,190,494 from the 2008/2009 value of \$15,098,546.

The cash flows used in investing activities for 2009/2010 reflects capital expenditure totalling \$8,825,082 compared to capital expenditure totalling \$6,363,711 during 2008/2009.

Significant items of capital expenditure during the year included:

- Upgrade administration building - Ascot Place (\$1,630,378);
- Purchase/replace vehicles - Ascot Place and Red Hill (\$657,373);
- Information Technology Purchases (\$120,000);
- Construction of Class III Cell Farm Stage 1 - Red Hill (\$3,039,491);
- Construct Class III Leachate Pond - Red Hill Landfill Facility (\$430,000);
- Construct water storage dams – Red Hill Landfill Facility (\$83,280);
- Purchase/replace minor plant and equipment - Red Hill (\$182,467);
- Purchase/replace plant - Hazelmere (\$47,175); and
- Purchase/replace plant - Red Hill (\$2,343,801).

Significant capital items that were budgeted but not purchased, constructed below budget or construction not completed during the year included (to the nearest thousand dollars):

- Information technology purchases - Ascot Place (\$244,000);
- Upgrade air conditioning equipment - Ascot Place (\$211,660);
- Investigate & Design No. 3 Workshop - Red Hill Landfill facility (\$60,000);
- Construction of Class III Cell Farm Stage 1 - Red Hill Landfill facility (\$380,000);
- Construction of roads/carparks – Red Hill Landfill Facility (\$104,000);
- Construct waste management facility buildings – Hazelmere (\$84,000);
- Construct water storage dams – Red Hill Landfill Facility (\$496,000);
- Purchase/Replace Plant - Red Hill Landfill facility (\$223,000); and
- Purchase/replace plant - Hazelmere (\$236,000).

Funding for the majority of the capital items listed above has been carried forward into the 2010/2011 financial year.

Reserves (pg 30 - 33 of 45)

During the 2009/2010 financial year the amount held in Reserves (page 32 of 45, Note 15) decreased by \$1,901,616 to a balance of \$24,634,782. This is \$3,057,008 less than the budgeted 2009/2010 closing balance of \$27,691,790. As previously stated, this is primarily as a result of the capital expenditure utilised from Reserve funds during the 2009/2010 financial year.



Item 12.1 continued

STRATEGIC/POLICY IMPLICATIONS

Addresses the following:

Key Result Area 4 – Good Governance

- 4.1 To improve member Council and EMRC financial viability
- 4.7 To continue to improve financial and asset management practices

FINANCIAL IMPLICATIONS

As outlined in the report and attachments

SUSTAINABILITY IMPLICATIONS

Nil

MEMBER COUNCIL IMPLICATIONS

Member Council	Implication Details
Town of Bassendean	} Proportional share of increase in the total equity of the EMRC from 2008/2009 to 2009/2010 as advised under separate cover.
City of Bayswater	
City of Belmont	
Shire of Kalamunda	
Shire of Mundaring	
City of Swan	

ATTACHMENT(S)

1. Annual Financial Report for the Year Ended 30 June 2010 including Independent Auditor's Report from Macri Partners (Ref: Committees-11399)
2. Interim Audit Report for Year Ended 30 June 2010 (Ref: Committees-11421)

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That:

1. The audited Annual Financial Report for the Year Ended 30 June 2010 and the report of the Auditor on that Annual Financial Report be adopted.
2. In accordance with Regulation 51(2) of the Local Government (Financial Management) Regulations 1996, a copy of the 2009/2010 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.



Item 12.1 continued

The CEO summarised the report.

Mr Macri summarised the issues highlighted in the Interim Audit Report (attachment 2).

Discussion ensued

Cr Pilgrim noted the Auditors' comments regarding internal controls related to creditors master files on page 53 of the Agenda. Mr Macri explained that Macri Partners had noted a lack of control over suppliers at some councils and had been recommending a tightening up of controls within the creditors area. Mr Macri advised that another council had a suppliers list and whenever there were additions to the suppliers that checks were made in relation to shareholders and employees to ensure that control over the whole creditor process did not sit with one person. The CEO advised that the EMRC has segregation of duties whereby different staff members handle different parts of the creditors process and a list of monthly payments was also presented to Council that enabled a further level of scrutiny. The CEO stated that Macri Partners' suggestion for an independent senior officer to review the creation or amendment to master files was a good additional control to put in place.

Cr Radford referred to page 52 of the Agenda – Purchasing and Payments – and asked if the final sum had also exceeded the 10% variation built into the tender contract. The CEO advised that the total cost was due to latent conditions related to the construction of the Farm Stage 1 Landfill Cell and in particular the discovery of a large rock that was left in situ and necessitated clay being transported from another location on site. In response to Cr Radford's query on whether the Auditors were happy with the way it had been handled, Mr Macri advised that not all contingencies could be foreseen so they were happy with that, as long as it wasn't a frequent occurrence.

Cr Pilgrim suggested that an additional point be added to the recommendation for Council to note the issues raised by the Auditors and the management comments provided so that it became part of the public record. Cr Pilgrim suggested that point 2 should become point 3 and an additional point 2 be added as follows:

“That Council notes the contents of the Internal Audit Report and the management comments provided in response.”

AC RECOMMENDATION(S)

MOVED CR PILGRIM

SECONDED CR RADFORD

That:

1. The audited Annual Financial Report for the Year Ended 30 June 2010 and the report of the Auditor on that Annual Financial Report be adopted.
2. That Council notes the contents of the Internal Audit Report and the management comments provided in response.
3. In accordance with Regulation 51(2) of the Local Government (Financial Management) Regulations 1996, a copy of the 2009/2010 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.

CARRIED UNANIMOUSLY

**ANNUAL
FINANCIAL
REPORT**

**For the Year Ended
30 June 2010**

EASTERN METROPOLITAN REGIONAL COUNCIL

2009/2010 ANNUAL FINANCIAL REPORT

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STATEMENT BY CHIEF EXECUTIVE OFFICER



**For the Year Ended
30 June 2010**

**EASTERN METROPOLITAN REGIONAL COUNCIL
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Eastern Metropolitan Regional Council being the annual financial report and supporting notes and other information for the financial year ended 30 June 2010 are in my opinion properly drawn up to present fairly the financial position of the Eastern Metropolitan Regional Council at 30 June 2010 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 27th day of August 2010



PETER B. SCHNEIDER
Chief Executive Officer

FINANCIAL REPORT



**For the Year Ended
30 June 2010**

EASTERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

BY PROGRAM	NOTE	ACTUAL 2009/2010	BUDGET 2009/2010	ACTUAL 2008/2009
REVENUE				
Governance		63,370	24,149	263,435
General Purpose Funding		1,402,278	1,325,500	1,553,493
Community Amenities		25,918,852	25,371,802	23,725,834
Other Property and Services		2,044,563	2,574,182	1,410,858
TOTAL REVENUE		29,429,064	29,295,633	26,953,620
EXPENSES				
Governance		1,722,846	2,560,296	1,817,810
Community Amenities		18,459,295	16,294,164	15,866,276
Other Property and Services		3,072,565	4,448,450	3,055,051
TOTAL EXPENSES		23,254,707	23,302,910	20,739,137
INCREASE / (DECREASE)		6,174,357	5,992,723	6,214,483
DISPOSAL OF ASSETS				
Profit on Sale		27,345	42,493	330
Loss on Sale		(4,010)	0	(5,276)
PROFIT / (LOSS) ON DISPOSALS	22	23,335	42,493	(4,946)
UNREALISED GAIN/(LOSS) FROM CHANGE IN FAIR VALUE OF INVESTMENTS				
General Purpose Funding	7(c)	621,457	0	(3,250,474)
GAIN / (LOSS)		621,457	0	(3,250,474)
Other Comprehensive Income		0	0	0
TOTAL COMPREHENSIVE INCOME		6,819,149	6,035,216	2,959,063

This statement is to be read in accordance with the attached
notes to the financial report.

EASTERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

BY NATURE AND TYPE	NOTE	ACTUAL 2009/2010	BUDGET 2009/2010	ACTUAL 2008/2009
REVENUE				
Fees and Charges	4	23,817,507	23,509,220	21,984,286
Contributions		1,491,238	1,387,132	2,131,753
Operating Grants	5	1,684,567	2,338,105	783,161
Interest Earnings	19	1,402,279	1,325,500	1,553,492
Other Revenue		1,033,473	735,676	500,928
TOTAL REVENUE		29,429,064	29,295,633	26,953,620
EXPENSES				
Employee Costs		7,234,962	7,283,884	6,437,307
Materials and Contracts		6,710,358	8,574,443	8,581,082
Utility Expenses		112,923	94,150	69,406
Insurance Expenses		198,199	152,012	155,255
Finance Fees and Interest Expenses		13,537	12,700	12,224
Other Expenditure		6,173,645	4,713,937	3,876,720
Depreciation Expenses	2	2,811,083	2,471,784	1,607,143
TOTAL EXPENSES		23,254,707	23,302,910	20,739,137
INCREASE / (DECREASE)		6,174,357	5,992,723	6,214,483
DISPOSAL OF ASSETS				
Profit on Sale		27,345	42,493	330
Loss on Sale		(4,010)	(0)	(5,276)
PROFIT / (LOSS) ON DISPOSALS	22	23,335	42,493	(4,946)
UNREALISED GAIN/LOSS FROM CHANGE IN FAIR VALUE OF INVESTMENTS				
Unrealised Gain/(Loss)	7(c)	621,457	0	(3,250,474)
GAIN / (LOSS)		621,457	0	(3,250,474)
Other Comprehensive Income		0	0	0
TOTAL COMPREHENSIVE INCOME		6,819,149	6,035,216	2,959,063

This statement is to be read in accordance with the attached
notes to the financial report

EASTERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	NOTE	ACTUAL 2009/2010	ACTUAL 2008/2009
CURRENT ASSETS			
Cash and Cash Equivalents	7(a)	21,190,494	15,098,546
Investments	7(b)	6,977,404	8,907,746
Trade and Other Receivables	9	2,761,025	2,376,503
Inventories	11	23,408	30,680
Other Assets	10	73,514	50,882
TOTAL CURRENT ASSETS		<u>31,025,845</u>	<u>26,464,357</u>
NON CURRENT ASSETS			
Property, Plant and Equipment	12	26,955,716	23,534,793
Work in Progress		2,213,284	33,903
TOTAL NON CURRENT ASSETS		<u>29,169,000</u>	<u>23,568,696</u>
TOTAL ASSETS		<u>60,194,845</u>	<u>50,033,053</u>
CURRENT LIABILITIES			
Trade and Other Payables	13	4,830,408	1,762,406
Provisions	14	1,074,972	902,420
TOTAL CURRENT LIABILITIES		<u>5,905,380</u>	<u>2,664,826</u>
NON CURRENT LIABILITIES			
Provisions	14	1,419,987	1,317,897
TOTAL NON CURRENT LIABILITIES		<u>1,419,987</u>	<u>1,317,897</u>
TOTAL LIABILITIES		<u>7,325,367</u>	<u>3,982,723</u>
NET ASSETS		<u>52,869,478</u>	<u>46,050,330</u>
EQUITY			
Retained Surplus		28,234,696	19,513,932
Reserves	15	24,634,782	26,536,398
TOTAL EQUITY		<u>52,869,478</u>	<u>46,050,330</u>

This statement is to be read in accordance with the attached notes to the financial report

EASTERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	RETAINED SURPLUS \$	RESERVES \$	TOTAL EQUITY \$
Balance as at 30 June 2008		19,629,115	23,462,152	43,091,267
Net Result		2,959,063	0	2,959,063
Total Other Comprehensive Income		0	0	0
Transfer from /(to)		(3,074,246)	3,074,246	0
Balance as at 30 June 2009		19,513,931	26,536,398	46,050,330
Net Result		6,819,149	0	6,819,149
Total Other Comprehensive Income		0	0	0
Transfer from / (to)		1,901,616	(1,901,616)	0
Balance as at 30 June 2010		28,234,696	24,634,782	52,869,478

The statement of changes in equity is to be read in accordance with the attached
notes to the financial report

EASTERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	ACTUAL 2009/2010 \$	BUDGET 2009/2010 \$	ACTUAL 2008/2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Flows from Normal Operating Activities				
Cash receipts in the course of normal operations		26,280,481	23,011,056	24,020,603
Cash payments in the course of normal operations		(18,822,313)	(19,524,774)	(21,937,184)
Interest receipts - Municipal Cash		195,539	225,500	277,182
Net Cash Provided by Normal Operating Activities		7,653,707	3,711,782	2,360,601
Cash Flows from Other Operating Activities				
<u>Resource Recovery</u>				
Cash receipts from secondary waste charge		4,250,236	4,888,756	4,424,697
Cash receipts from resource recovery project		71,915	70,322	24,771
Cash payments for resource recovery project		(1,098,501)	(1,138,086)	(664,323)
Interest receipts - secondary waste investment		622,120	654,500	847,617
<u>Other Activities</u>				
Interest receipts - other restricted investments		428,722	445,500	500,770
Net Cash Provided by Other Operating Activities		4,274,492	4,920,992	5,133,532
NET CASH PROVIDED BY OPERATING ACTIVITIES	16(ii)	11,928,199	8,632,774	7,494,133
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash receipts from sale of assets		437,031	663,002	235,560
Cash payments for acquisition of assets		(8,825,082)	(10,193,849)	(6,363,711)
NET CASH USED IN INVESTING ACTIVITIES		(8,388,051)	(9,530,847)	(6,128,151)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash payments - loan principal repayments	23	0	0	0
Cash receipts from sale of investments		2,551,799	0	3,237,147
Cash payments for acquisition of investments		0	0	0
NET CASH PROVIDED BY FINANCING ACTIVITIES		2,551,799	0	3,237,147
SUMMARY OF CASH FLOWS				
Cash at the beginning of the year		15,098,546	15,098,546	10,495,417
Net Increase (Decrease) in Cash Held		6,091,947	(898,073)	4,603,129
CASH AT THE END OF THE YEAR	16(i)	21,190,494	14,200,473	15,098,546

The Statement of Cash Flows is to be read in accordance with the attached
notes to the financial report

**NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT**



**For the Year Ended
30 June 2010**

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), other mandatory professional reporting requirements and the Local Government Act 1995 and accompanying regulations. The report has also been prepared on the accrual basis under the convention of historical cost accounting modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

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.

(a) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts, where applicable, are included as short-term borrowings in current liabilities on the Statement of Financial Position.

(b) Fixed Assets

Initial Recognition

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

Revaluation

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on a basis to reflect the already consumed or expired future economic benefits. Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ significantly from that determined using fair value at reporting date.

Land Under Roads

The roads on the land owned by the EMRC are private roads. The land under these private roads has already been recognised as part of the land cost shown in the Statement of Financial Position.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Depreciation of Non-Current Assets

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

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period, as follows:

• Buildings	2-10%
• Structures	
General	2-10%
Class III and IV Waste Cells	% of actual usage
• Plant	15-40%
• Furniture and fittings	10-40%
• Equipment	10-40%

(d) Rates

The Eastern Metropolitan Regional Council does not levy rates. Accordingly rating information as required under the Local Government (Financial Management) Regulations 1996 has not been presented in this financial report.

(e) Grants, Donations and Other Contributions

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

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 6. 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.

(f) Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Local Government prior to the end of the financial year that are unpaid and arise when the Local Government 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.

(g) Impairment

In accordance with Australian Accounting Standards the Council's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired. Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with AASB 136 'Impairment of Assets' and appropriate adjustments made.

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

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue Recognition

Sale of Goods and Disposal of Assets

Revenue from the sale of goods and disposal of other assets is recognised when the Council has passed control of the goods or other assets to the buyer.

Rendering of Services

Revenue from the provision of services is recognised on an accrual basis.

Royalties

Royalty revenue is recognised on an accrual basis.

(i) Inventories

General

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

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

Land Held for Resale

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

(j) Goods and Services Tax

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

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(k) Trade and Other Receivables

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

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

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Provisions

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

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

(m) Provision for Site Rehabilitation

The estimated closure and post-closure site rehabilitation cost is charged to the Statement of Comprehensive Income on a volumetric basis over the life of the landfill site.

The nature of work planned by Council includes cell capping, landform reconstruction, dismantling of site operating facilities and implementation of a revegetation plan to suit the final land use. The cost is based on estimated current costs, determined on a non-discounted basis.

The estimated remaining capacity of the site as at 30 June 2010 is 918,012 m³.

(n) Provision for Environmental Monitoring

The estimated closure and post-closure environmental monitoring cost is charged to the Statement of Comprehensive Income on a volumetric basis over the life of the landfill site.

The nature of work planned by Council includes monitoring of groundwater, surface water, leachate and landfill gas generation. The cost is based on estimated current costs, determined on a non-discounted basis.

The estimated remaining capacity of the site as at 30 June 2010 is 918,012 m³.

(o) Interest-bearing Loans and Borrowings

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

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

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

Borrowing Costs

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

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Critical Accounting Estimates

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

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

(q) Employee Entitlements

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

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

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

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

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

(iii) Superannuation Fund:

The Council contributes to the WA Local Government Superannuation Plan (LGSP) and other choice funds for qualifying employees as per statutory requirements (9% for 2009/10). It also contributes to the LGSP and other choice funds for full scheme members (5% for 2009/10). Contributions to defined contribution plans are recognised as an expense as they become payable.

(r) Rounding Of Amounts

All amounts shown in this annual financial report, other than the Schedule of Fees and Charges, are rounded to the nearest dollar. As a result of rounding, some minor reconciliation discrepancies may be present in the disclosures to the financial report.

(s) Comparative Figures

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

(t) 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.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) 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 equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

(v) Investments and Other Financial Assets

Classification

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

Recognition and Derecognition

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

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

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Investments and Other Financial Assets (Continued)

Subsequent measurement

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

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

Impairment

Council assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Statement of Comprehensive Income.

(w) Estimation of Fair Value

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

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

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

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

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

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Adoption of New and Revised Accounting Standards

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

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

AASB 101: Presentation of Financial Statements

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

Disclosure Impact

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

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

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

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

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

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

(xi) 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 ended 30 June 2010.

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

Title and topic	Issued	Applicable	Impact
(i) AASB 9 – Financial Instruments	December 2009	1 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 that the standard will have any material effect.
(ii) AASB 124 – Related Party Disclosures	December 2009	1 January 2011	Nil – It is not anticipated the Council will have any related parties as defined by the Standard. (i)
(iii) AASB 2009-5 – Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	May 2009	1 January 2010	Nil – The revisions are part of the AASB's annual improvement project to help ensure consistency with presentation, recognition and measurement criteria of IFRSs. It is not anticipated these will have any effect on the Council.
(iv) AASB 2009-8 – Amendments to Australian Accounting Standards – Group Cash – Settled Share-based Payment Transactions [AASB 2]	July 2009	1 January 2010	Nil – The Council will not have applicable transactions.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

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

Title and topic	Issued	Applicable	Impact
(v) AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	December 2009	1 January 2011	Nil – The revisions embodied in this standard relate to standards which do not apply to local government (ie AASB 8) or are largely editorial in nature and will have minimal effect (if any) on the accounting practices of the Council.
(vi) AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and interpretations 10 & 12]	December 2009	1 January 2013	Nil – The revisions embodied in this standard give effect to consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (ii) above).
(vii) AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	December 2009	1 July 2010	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2010-1 Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosure for First-time Adopters [AASB 1 & AASB 7]	February 2010	1 July 2010	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2009-10 Amendments to Australian Accounting Standards – Classifications of Rights Issues [AASB 132]	October 2009	1 February 2010	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

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

Title and topic	Issued	Applicable	Impact
(vii) (Continued)			
Interpretation 19 – Extinguishing Financial Liabilities with Equity Instruments	December 2009	1 July 2010	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2009- 14 Amendments to Australian Interpretations – Prepayments of a minimum Funding Requirement [AASB Interpretation 14]	December 2009	1 January 2011	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.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

2. DEPRECIATION AND AMORTISATION EXPENSE

	ACTUAL 2009/2010	BUDGET 2009/2010	ACTUAL 2007/2008
	\$	\$	\$
Depreciation and amortisation expense for the reporting period was charged in respect of:			
Buildings	140,140	132,550	136,593
Structures	1,106,377	1,332,454	290,435
Plant	1,404,191	854,600	1,029,871
Equipment	143,462	138,080	130,039
Furniture and Fittings	16,912	14,100	20,205
	2,811,082	2,471,784	1,607,143

3. COMPONENT FUNCTIONS / ACTIVITIES

The activities relating to the Eastern Metropolitan Regional Council's components reported on in the Statement of Comprehensive Income are as follows: -

Governance

Records income and expenditure relating to the administration and operation of facilities and services to members of Council together with other administrative governance costs

General Purpose Funding

Records interest revenue as well as other general purpose revenue

Community Amenities

Records income and expenditure associated with the Red Hill Waste Disposal Facilities - Class III cell, Class IV cell, weighbridge, transfer station and Hazelmere site

Other Property and Services

Records income and expenditure for public works overheads, plant operation, materials, salaries and wages. It also records income and expenditure for Risk Management and Environmental Service departments (incorporating various Environmental Projects), the operations of the Ascot Place activity, and income and expenditure relating to the Regional Development activity incorporating various projects.

EMRC MISSION STATEMENT

The Eastern Metropolitan Regional Council, by partnering with member Councils (and other stakeholders), facilitates strategies and actions for the benefit and sustainability of Perth's Eastern Region

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

4. FEES AND CHARGES SUMMARY BY PROGRAM	ACTUAL 2009/2010 \$	BUDGET 2009/2010 \$	ACTUAL 2008/2009 \$
Governance	5,905	2,000	4,483
Community Amenities	23,618,473	23,188,921	21,644,934
Other Property and Services	193,128	318,300	334,869
Total Statutory Fees and Charges	23,817,506	23,509,221	21,984,286

5. GRANT REVENUE BY PROGRAM	ACTUAL 2009/2010 \$	ACTUAL 2008/2009 \$
Community Amenities	628,400	184,995
Other Property and Services	1,056,167	598,166
Total Statutory Fees and Charges	1,684,567	783,161

6. CONTROL OVER CONTRIBUTIONS	ACTUAL 2009/2010 \$	ACTUAL 2008/2009 \$
Conditions over Contributions		

Grants which were recognised as revenue during the year but have yet to be applied in that manner at the reporting date were:

Watsonia OMCF Project	8,760	0
Earth Carers Volunteer Program	0	5,850

Grants which were recognised as revenue in a previous year and have not yet been applied in the manner specified by the grantor were:

	0	0
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Grants which were recognised as revenue in a previous year and were expended in the current year in the manner specified by the grantor were:

Earth Carers Volunteer Program	5,850	0
Watsonia OMCF Project	0	275
Swan View Primary School Creeklane Rehab Project	0	9,494
Salinity Management in Wooroloo Demonstrations Project	0	21,089

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

7(a). CASH AND CASH EQUIVALENTS

	ACTUAL 2009/2010 \$	ACTUAL 2008/2009 \$
Cash and Cash Equivalents - Unrestricted	9,785,467	4,388,088
Cash and Cash Equivalents - Restricted	11,405,028	10,710,458
	21,190,494	15,098,546

7(b). INVESTMENTS

Investments - Unrestricted	0	0
Investments - Restricted	6,977,404	8,907,746
	6,977,404	8,907,746

Financial Assets at fair value through profit or loss

At the beginning of the year	8,907,746	15,395,367
Additions	0	0
Disposals	(2,551,799)	(3,237,147)
Unrealised gain/(loss) from change in fair value of investments	621,457	(3,250,474)
Value at the end of the year	6,977,404	8,907,746

Held for Trading

- Financial Instruments	6,977,404	8,907,746
- Managed Funds	0	0
Value at the end of the year	6,977,404	8,907,746

The following Cash and Investments have restrictions imposed by regulation or other externally imposed requirements:

Plant and Equipment	387,395	776,748
Site Rehabilitation Red Hill	2,660,225	2,635,734
Future Development	510,222	2,946,239
Environmental Monitoring Red Hill	292,292	281,405
Environmental Insurance Red Hill	224,245	238,367
Risk Management	10,929	10,522
Class IV Cells Red Hill	225,485	87,232
Regional Development	294,281	412,501
Secondary Waste Processing	19,029,568	16,080,560
Class III Cells	944,959	3,013,965
Building Refurbishment (Ascot Place)	55,180	53,125
Long Service Leave	556,867	512,481
	25,191,650	27,048,879
Less unrealised gain/(loss) from changes in fair value of Investments	(6,809,218)	(7,430,675)
	18,382,432	19,618,204

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

7(c). UNREALISED GAIN/(LOSS) FROM CHANGE IN FAIR VALUE OF INVESTMENTS

	ACTUAL 2009/2010	ACTUAL 2008/2009
General Purpose Funding	<u>621,457</u>	<u>(3,250,474)</u>

The unrealised gains/(losses) from the change in fair value of the investments of Council funds in financial instruments each year is taken up in the relevant Statement of Comprehensive Income for those years.

The unrealised gains/(losses), of the investments existing as at 30 June 2010, reflected in the Statement of Comprehensive Income are summarised as follows:

Year	\$
2007/2008	(4,180,201)
2008/2009	(3,250,474)
2009/2010	621,457
	<hr/>
Net	(\$6,809,218)
	<hr/> <hr/>

Unrealised gains/(losses) represent a fair value measurement of the financial instruments during the period in which they are held, i.e. marked to market. It should be noted that actual gains/(losses) on financial instruments will not be realised until such time as the individual investments are sold.

8. NET CURRENT ASSET POSITION

The net current asset position balance carried forward from the previous financial year after adjustment for Restricted Assets for the purpose of the 2009/2010 budget was \$4,227,031.

The actual net current asset position balance shown in the audited financial report as at 30 June 2009 and after adjustment for Restricted Assets was \$4,181,327.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010

9. TRADE AND OTHER RECEIVABLES	ACTUAL 2009/2010 \$	ACTUAL 2008/2009 \$
General	2,508,897	2,286,396
Administration Office Property Management	0	7,528
Miscellaneous	21,495	7,432
Accrued Interest Earnings	276,744	120,847
Provision for Impairment of Receivables	(46,112)	(45,700)
	<u>2,761,025</u>	<u>2,376,503</u>

10. OTHER ASSETS	ACTUAL 2009/2010 \$	ACTUAL 2008/2009 \$
Prepayment - General	60,321	30,442
Prepayment - Insurance	12,000	11,344
Prepayment - Miscellaneous	1,193	9,096
	<u>73,514</u>	<u>50,882</u>

11. INVENTORIES	ACTUAL 2009/2010 \$	ACTUAL 2008/2009 \$
Distillate	14,213	19,218
Oils	2,465	2,761
Unleaded Fuel	6,729	8,701
	<u>23,408</u>	<u>30,680</u>

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010

12. NON CURRENT ASSETS MOVEMENTS - PROPERTY, PLANT AND EQUIPMENT

	LAND	BUILDINGS	STRUCTURES	PLANT	EQUIPMENT	FURNITURE and FITTINGS	TOTAL
	\$	\$	\$	\$	\$	\$	\$
Carrying Amount at Cost							
Balance 30 June 2009	7,639,917	3,968,107	17,110,833	8,367,468	1,607,290	426,524	39,120,139
Additions	0	37,706	3,084,976	3,271,339	240,080	11,601	6,645,702
Disposals	0	0	0	(667,255)	(238,303)	(24,686)	(930,244)
Balance 30 June 2010	<u>7,639,917</u>	<u>4,005,813</u>	<u>20,195,809</u>	<u>10,971,552</u>	<u>1,609,067</u>	<u>413,439</u>	<u>44,835,597</u>

Accumulated Depreciation / Amortisation

Balance 30 June 2009	0	(1,458,689)	(8,067,683)	(4,371,547)	(1,357,532)	(329,895)	(15,585,346)
Disposals	0	0	0	258,645	233,217	24,686	516,548
Depreciation Expense	0	(140,140)	(1,106,377)	(1,404,191)	(143,462)	(16,912)	(2,811,082)
Balance 30 June 2010	<u>0</u>	<u>(1,598,829)</u>	<u>(9,174,060)</u>	<u>(5,517,093)</u>	<u>(1,267,777)</u>	<u>(322,121)</u>	<u>(17,879,880)</u>

Net Book Value

As at 30 June 2009	<u>7,639,917</u>	<u>2,509,418</u>	<u>9,043,150</u>	<u>3,995,921</u>	<u>249,758</u>	<u>96,629</u>	<u>23,534,793</u>
As at 30 June 2010	<u>7,639,917</u>	<u>2,406,984</u>	<u>11,021,749</u>	<u>5,454,459</u>	<u>341,290</u>	<u>91,318</u>	<u>26,955,716</u>

Assets at cost are subject to an annual assessment as to whether there is any indication an asset may have been impaired in accordance with AASB 136: "Impairment of Assets".

EASTERN METROPOLITAN REGIONAL COUNCIL

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

13. TRADE AND OTHER PAYABLES	ACTUAL 2009/2010 \$	ACTUAL 2008/2009 \$
Current - Creditors		
Payroll Accruals	128,168	112,683
Payroll PAYG Tax	0	93,225
Amounts Received in Advance	119,386	216,746
GST Liability	225,958	230,387
Sundry Creditors	4,356,896	1,109,365
	<u>4,830,408</u>	<u>1,762,406</u>

14. PROVISIONS

Current

Employees Annual Leave	749,182	653,374
Employees Long Service Leave	325,790	249,046
	<u>1,074,972</u>	<u>902,420</u>

PROVISIONS

Non-current

Employees Long Service Leave	85,677	88,063
Red Hill Landfill Site Rehabilitation	1,213,011	1,118,033
Red Hill Landfill Environmental Monitoring	121,299	111,801
	<u>1,419,987</u>	<u>1,317,897</u>

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

15. RESERVES

	ACTUAL 2009/2010 \$	BUDGET 2009/2010 \$	ACTUAL 2008/2009 \$
(a) Plant and Equipment Reserve			
Opening balance as at 1 July	776,748	790,066	435,809
Transfer from retained surplus	2,221,349	2,244,600	2,164,279
Transfer to retained surplus	(2,640,753)	(3,015,280)	(1,845,200)
Interest	30,051	31,670	21,860
Closing Balance as at 30 June	387,395	51,056	776,748
(b) Site Rehabilitation Reserve			
Opening balance as at 1 July	2,635,734	2,647,320	2,484,346
Transfer from retained surplus	100,000	100,000	100,000
Transfer to retained surplus	(181,862)	(217,462)	(48,885)
Interest	106,353	105,900	100,273
Closing Balance as at 30 June	2,660,225	2,635,758	2,635,734
(c) Future Development Reserve			
Opening balance as at 1 July	2,946,239	2,996,754	2,772,925
Transfer from retained surplus	0	1,200,000	0
Transfer to retained surplus	(2,550,000)	(2,750,000)	0
Interest	113,983	119,900	173,314
Closing Balance as at 30 June	510,222	1,566,654	2,946,239
(d) Environmental Monitoring Reserve			
Opening balance as at 1 July	281,405	286,230	264,852
Transfer from retained surplus	0	0	0
Transfer to retained surplus	0	0	0
Interest	10,887	11,500	16,553
Closing Balance as at 30 June	292,292	297,730	281,405
(e) Environmental Insurance Reserve			
Opening balance as at 1 July	238,367	242,454	246,554
Transfer from retained surplus	0	0	0
Transfer to retained surplus	(23,344)	(24,656)	(24,001)
Interest	9,222	9,700	15,814
Closing Balance as at 30 June	224,245	227,498	238,367

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

15. RESERVES (Continued)	ACTUAL 2009/2010 \$	BUDGET 2009/2010 \$	ACTUAL 2008/2009 \$
(f) Risk Management Reserve			
Opening balance as at 1 July	10,522	10,702	9,903
Transfer from retained surplus	0	0	0
Transfer to retained surplus	0	0	0
Interest	407	430	619
Closing Balance as at 30 June	10,929	11,132	10,522
(g) Class IV Reserve			
Opening balance as at 1 July	87,232	88,728	60,475
Transfer from retained surplus	134,878	46,977	23,371
Transfer to retained surplus	0	0	0
Interest	3,375	3,600	3,386
Closing Balance as at 30 June	225,485	139,305	87,232
(h) Regional Development Reserve			
Opening balance as at 1 July	412,501	419,573	571,244
Transfer from retained surplus	250,000	250,000	250,000
Transfer to retained surplus	(384,178)	(623,795)	(447,781)
Interest	15,959	17,000	39,038
Closing Balance as at 30 June	294,281	62,778	412,501
(i) Secondary Waste Reserve			
Opening balance as at 1 July	16,080,560	16,356,271	14,669,800
Transfer from retained surplus	3,733,620	6,188,756	4,424,740
Transfer to retained surplus	(1,406,732)	(1,151,584)	(3,861,597)
Interest	622,120	654,500	847,617
Closing Balance as at 30 June	19,029,568	22,047,943	16,080,560
(j) Class III Reserve			
Opening balance as at 1 July	3,013,965	3,065,641	1,896,246
Transfer from retained surplus	924,384	841,127	1,183,332
Transfer to retained surplus	(3,109,993)	(3,433,768)	(167,000)
Interest	116,603	122,700	101,387
Closing Balance as at 30 June	944,959	595,700	3,013,965

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

15. RESERVES (Continued)	ACTUAL 2009/2010 \$	BUDGET 2009/2010 \$	ACTUAL 2008/2009 \$
(k) Building Refurbishment Reserve			
Opening balance as at 1 July	53,125	54,036	50,000
Transfer from retained surplus	0	0	0
Transfer to retained surplus	0	0	0
Interest	2,055	2,200	3,125
Closing Balance as at 30 June	55,180	56,236	53,125
RESERVES AT END OF FINANCIAL YEAR	24,634,782	27,691,790	26,536,398

FUNDS SET ASIDE FOR :

Long Service Leave Reserve

Opening balance as at 1 July	512,481	521,268	423,521
Transfer from retained surplus	24,560	24,560	63,560
Transfer to retained surplus	0	0	0
Interest	19,827	20,900	25,400
Closing Balance as at 30 June	556,867	566,728	512,481

Fair Value of investments at balance date has resulted in an unrealised loss of \$6,809,218 (refer Note 7(c))
This had the effect of Reserves falling short of being cash backed by the unrealised loss.

The crystallisation of the unrealised losses may occur at such time as the individual investments are sold and may be at an amount different from that disclosed above.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

15. RESERVES (Continued)

The purpose for which the Reserve funds are set aside are as follows and will be utilised in accordance with annual budgeted expenditure: -

Plant and Equipment Reserve

To finance the replacement of major items of plant and equipment.

Site Rehabilitation Reserve

To finance the rehabilitation of the completed cells at the Red Hill waste disposal site and the rehabilitation of the site at time of decommissioning.

Future Development Reserve

To finance future developments being undertaken by the Eastern Metropolitan Regional Council.

The reserve is also utilised to provide funds for projects that the Eastern Metropolitan Regional Council is investigating and undertaking for the purpose of the long term future direction in the area of waste management for the benefit of the region

Class IV Reserve

To finance the capping of the existing Class IV cells and the construction of future Class IV cells and associated works at the Red Hill waste disposal site.

Class III Reserve

To finance the capping of the existing Class III cells and the construction of future Class III cells and associated works at the Red Hill waste disposal site.

Environmental Monitoring Reserve

This reserve was established to provide funds for environmental monitoring after decommissioning of the Red Hill Waste disposal site.

Environmental Insurance Reserve

This reserve was established to provide funds to enable the EMRC to immediately respond to the need for repairs to, or rectification of damage to the environment surrounding the Red Hill waste disposal site as a result of any incident not covered by the Eastern Metropolitan Regional Council's existing insurance policies.

Risk Management Reserve

This reserve has been established to receive surpluses from the Risk Management Service. This reserve is to be utilised in funding the future requirements of the service in subsequent financial years.

Secondary Waste Reserve

This reserve was established to accumulate and to make provision for Secondary Waste Treatment Technology in the future.

Regional Development Reserve

This reserve was established to accumulate and provide funds to enable the EMRC to fund Regional Development activities.

Building Refurbishment Reserve

This reserve was established to accumulate and provide funds for the refurbishment of the Ascot Place administration building.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

16. NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, the Eastern Metropolitan Regional Council considers cash to include cash on hand, cash at bank and term deposits. Cash at the end of the reporting period as shown in the Statement of Cash Flows is as follows:

	ACTUAL 2009/2010	BUDGET 2009/2010	ACTUAL 2008/2009
	\$	\$	\$
Cash and Cash Equivalents - Unrestricted	9,785,466	2,831,386	4,388,088
Cash and Cash Equivalents - Restricted	11,405,028	11,369,087	10,710,458
Total Cash	21,190,494	14,200,473	15,098,546

(ii) Reconciliation of net cash used in operating activities to Net Result

Net Result	6,819,149	6,035,216	2,959,063
Depreciation	2,811,082	2,471,784	1,607,142
(Profit)/Loss on sale of assets	(23,335)	(42,493)	4,946
Increase/(Decease) in provisions - Redhill	104,476	135,184	120,627
Increase/(Decease) in accrued interest on Loans	0	0	0
Increase/(Decease) in provisions - Staff	170,166	33,083	130,794
Increase/(Decease) in Sundry Creditors	3,072,431	0	(1,015,651)
Increase/(Decease) in GST	(4,429)	0	(78,886)
(Increase)/Decease in accrued interest earnings	(155,898)	0	72,076
(Increase)/Decrease in Receivables	(228,625)	0	448,664
(Increase)/Decrease in Inventory	7,272	0	4,965
(Increase)/Decrease in Prepayments	(22,633)	0	(10,081)
Increase/(Decease) in unrealised gain/loss from change in fair value of investments	(621,457)	0	3,250,474
Net cash from operating activities	11,928,199	8,632,774	7,494,133

(iii) Financing Facilities

There were no bank overdraft facilities in place for the Eastern Metropolitan Regional Council at balance date.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

17. EMPLOYEE ENTITLEMENTS

The aggregate employee entitlements liability recognised and included in the financial report is as follows:

Provision for Employee Entitlements (Refer to Note 14)	ACTUAL 2009/2010	ACTUAL 2008/2009
	\$	\$
- Current	1,074,972	902,420
- Non-current	85,677	88,063
Total Employee Entitlements	1,160,649	990,483
	ACTUAL FTE's 2009/2010	ACTUAL FTE's 2008/2009
Total number of (FTE) employees at end of financial year	90	91

18. COUNCILLORS FEES AND ALLOWANCES

ACTUAL 2009/2010	BUDGET 2009/2010	ACTUAL 2008/2009
\$	\$	\$

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

Councillors' meeting fees	90,208	77,000	75,396
Chairman's meeting fees	17,833	14,000	13,708
Deputy Councillors' meeting fees	2,060	3,500	1,680
Chairman's Local Government fee	5,500	6,000	5,625
Deputy Chairman's Local Government fee	1,375	1,500	1,406
	116,977	102,000	97,815

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010

19. EARNINGS ON INVESTMENTS

The total earnings from Interest on Investments for the 2009/2010 financial year is made up as follows: -

	ACTUAL 2009/2010 \$	BUDGET 2009/2010 \$	ACTUAL 2008/2009 \$
Interest on Municipal Cash and Investments	195,539	225,500	277,182
Accrued Interest Earnings	155,898	0	(72,077)
Interest on Other Restricted Cash (LSL)	19,827	20,900	25,400
Interest on funds held in Reserves	1,031,015	1,079,100	1,322,987
	1,402,279	1,325,500	1,553,492

20. FINANCIAL RATIOS

	ACTUAL 2009/2010	ACTUAL 2008/2009	ACTUAL 2007/2008
Current Ratio	2.27 : 1.00	2.83 : 1.00	2.72 : 1.00
Debt Ratio	12.4%	8.0%	10.0%
Debt Service Ratio	Not Applicable	Not Applicable	1.3%
Gross Debt to Revenue Ratio	Not Applicable	Not Applicable	Not Applicable
Untied Cash to Trade Creditors Ratio	2.03 : 1.00	1.94 : 1.00	2.74 : 1.00
Gross Debts to Economically Realisable Assets Ratio	Not Applicable	Not Applicable	Not Applicable
Rate Coverage Ratio	Not Applicable	Not Applicable	Not Applicable
Outstanding Rates Ratio	Not Applicable	Not Applicable	Not Applicable

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

21. ASSETS CLASSIFIED BY TYPE AND LOCAL GOVERNMENT PROGRAM	ACTUAL 2009/2010 \$	ACTUAL 2008/2009 \$
Current Assets		
General Purpose Funding	13,030,808	7,622,901
Governance	622,977	576,128
Community Amenities	17,077,779	17,852,827
Economic Services	294,281	412,501
Land		
Governance	3,022,392	3,022,392
Community Amenities	4,617,524	4,617,525
Buildings		
Governance	1,991,650	2,067,316
Community Amenities	415,334	442,102
Structures		
Community Amenities	11,021,749	9,043,150
Plant		
Governance	654,282	674,326
Community Amenities	4,800,177	3,321,595
Equipment		
Governance	244,511	197,974
Community Amenities	96,779	51,784
Furniture and Fittings		
Governance	91,317	96,629
Work In Progress		
Unclassified	2,213,284	33,903
	60,194,845	50,033,053

22. DISPOSAL OF ASSETS	BUDGET 2009/2010 \$			ACTUAL 2009/2010 \$		
	Net Book Value	Sale Price	Gain (Loss)	Net Book Value	Sale Price	Gain (Loss)
Plant	620,509	663,002	42,493	408,610	435,955	27,345
Equipment	0	0	0	5,086	872	(4,214)
Furniture and Fittings	0	0	0	0	205	205
Total Assets Disposed	620,509	663,002	42,493	413,696	437,031	23,335

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010

23. INFORMATION ON BORROWINGS

(a) Borrowings

The EMRC currently do not have any loans or borrowings.

(b) New Borrowings

There were no new borrowings during the 2009/10 financial year.

(c) Unspent Loans

There were no unspent loans during the 2009/10 financial year.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010

24. FINANCIAL RISK MANAGEMENT

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2010	2009	2010	2009
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	21,190,494	15,098,546	21,190,494	15,098,546
Receivables	2,761,025	2,376,503	2,761,025	2,376,503
Financial Assets at fair value through profit and loss	6,977,404	8,907,746	6,977,404	8,907,746
	<u>30,928,923</u>	<u>26,382,795</u>	<u>30,928,923</u>	<u>26,382,795</u>
Financial Liabilities				
Payables	4,830,408	1,762,406	4,830,408	1,762,406
	<u>4,830,408</u>	<u>1,762,406</u>	<u>4,830,408</u>	<u>1,762,406</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables - estimated to the carrying value which approximates net market value.
- Financial Assets at Fair Value through profit and loss - based on market valuations and verified by independent financial advisors.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010

24. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit or loss

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.

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 seeks advice from independent advisers (where applicable) before placing any cash and investments.

	2010	2009
	\$	\$
Impact of a 10% movement in price of investments:		
- Equity	697,740	890,775
- Statement of Comprehensive Income	697,740	890,775
Impact of a 1% movement in interest rates on cash and investments:		
- Equity	281,679	240,063
- Statement of Comprehensive Income	281,679	240,063

(b) Receivables

Council's major receivables comprise 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.

Council makes suitable provision for impairment of receivables as required and carries out credit checks on all debtors.

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

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

	2010	2009
	\$	\$
Percentage of Other Receivables		
- Current	95.7%	88.4%
- Overdue	4.3%	11.6%
	100.0%	100.0%

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010

24. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

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>2010</u>					
Payables	4,830,408	0	0	4,830,408	4,830,408
	<u>4,830,408</u>	<u>0</u>	<u>0</u>	<u>4,830,408</u>	<u>4,830,408</u>
<u>2009</u>					
Payables	1,762,406	0	0	1,762,406	1,762,406
	<u>1,762,406</u>	<u>0</u>	<u>0</u>	<u>1,762,406</u>	<u>1,762,406</u>

(d) Borrowings

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.

Council currently do not have any borrowings or loans.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010

25. COMMITMENTS FOR CAPITAL EXPENDITURE	ACTUAL 2009/2010 \$	ACTUAL 2008/2009 \$
Commitments for the acquisition of assets contracted for at the reporting date but not recognised as liabilities, payable:		
- not longer that one year	2,236,521	1,110,528
Total Capital Commitments	2,236,521	1,110,528

26. AUDITORS' REMUNERATION	ACTUAL 2009/2010 \$	ACTUAL 2008/2009 \$
Auditing and Financial Reporting	8,500	5,900
Other	2,400	5,075
Total Auditors' Remuneration	10,900	10,975

27. CONTINGENT LIABILITIES

Nil

28. EMPLOYEES' REMUNERATION

Set out below, in bands of \$10,000, is the number of employees of the Eastern Metropolitan Regional Council entitled to an annual salary of \$100,000 or more:

SALARY RANGE \$	ACTUAL 2009/2010	ACTUAL 2008/2009
100,000 – 109,999	1	0
110,000 – 119,999	2	3
120,000 – 129,999	1	0
130,000 – 139,999	0	1
160,000 – 169,999	0	0
170,000 – 179,999	1	0
180,000 – 189,999	0	1

30. ECONOMIC DEPENDENCY

A significant portion of revenue is received by way of grants from the State and Federal Government. The total of grant revenue from government sources is disclosed in Note 6.

INDEPENDENT AUDIT REPORT



**For the Year Ended
30 June 2010**

INDEPENDENT AUDITOR'S REPORT

TO: MEMBERS OF EASTERN METROPOLITAN REGIONAL COUNCIL

We have audited the financial report of the Eastern Metropolitan Regional Council, which comprises the Statement of Financial Position as at 30 June 2010 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and a summary of significant accounting policies and other explanatory notes.

Council's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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



Auditor's Opinion

In our opinion, the financial report of the Eastern Metropolitan Regional Council:

- (i) gives a true and fair view of the financial position of the Eastern Metropolitan Regional Council as at 30 June 2010 and of its financial performance for the year ended on that date; and
- (ii) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards (including the Australian Accounting Interpretations).

Statutory Compliance

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

MACRI PARTNERS

MACRI PARTNERS
CERTIFIED PRACTISING ACCOUNTANTS
28 THOROGOOD STREET
BURSWOOD WA 6100

PERTH
DATED THIS 27th DAY OF AUGUST 2010.

A Macri

A MACRI
PARTNER



18 August 2010

Chief Executive Officer
Eastern Metropolitan Regional Council
PO Box 234
BELMONT WA 6984

Dear Sir

RE: INTERIM AUDIT VISIT FOR THE YEAR ENDED 30 JUNE 2010

We carried out an interim audit of the Council for the year ended 30 June 2010.

Our interim audit covered a review of the accounting and internal control procedures in operation, as well as testing of transactions, in the following areas:

- Purchases
- Payments and Creditors
- Receipts and Sundry Debtors
- Payroll
- General Accounting
- IT Controls
- Investments
- Registers (Tenders Register and Register of Financial Interests)
- Provisions for Site Rehabilitation and Environmental Monitoring

Our review also covered an examination of some compliance matters, which are required under the Local Government Act 1995 (as amended) and Financial Management Regulations 1996.

Please note that our examination of internal controls was carried out for audit purposes designed primarily for the purpose of expressing an opinion on the financial statements of the Eastern Metropolitan Regional Council.



The following matters were noted during the audit and are brought to your attention.

PAYROLL

As part of our audit, we selected samples of salaries and wages payments and tested to support documents and approval. The following matter was noted and brought to your attention:

During our testing of termination payments, we were unable to agree annual leave hours on the payroll calculation spreadsheet to the system or any supporting documentation showing the employee leave entitlement balance at termination date.

We recommend that the annual leave hours on the payroll calculation spreadsheet be supported by printout (i.e. screen dumps) of the leave entitlement balance on the payroll system for the relevant terminated employee. This will provide evidence of the leave entitlement and ensure that payments are correctly made.

Management Comments:

Synergyssoft has the ability to generate a report on an employee by employee basis showing the breakdown of the annual leave balance.

We have put in place the process such that a printout of the leave entitlement report is attached to the termination calculation worksheet as evidence of the leave entitlement.

PURCHASING AND PAYMENTS

As part of our audit, we carried out a review of the purchasing and payments system. Our audit procedures have been designed to determine appropriate means for selecting items for testing so as to gather sufficient appropriate audit evidence to meet the objectives of the audit procedures. Professional judgement is used to assess the risk of material misstatement and to design and perform further audit procedures where necessary to reduce the risk to an acceptable low level. Our audit procedures have been designed to also determine whether purchases of goods/services were in accordance with Council's purchasing policy.

The following matter was noted and brought to your attention:

During our testing, we noted an instance where total payments made to a supplier exceeded the tender contract value awarded by Council.

Payments amounting to \$3,263,611.76 (excl. GST) were made to CECK Pty Ltd from 1 July 2009 up to our audit visit date. The tender contract (Contract No. 2009-06) was awarded for an amount of \$2,861,881.30 (Ex-GST) and a 10% contingency authorised by the Council for the construction of the Farm Stage 1 Landfill Cell, construction of a Class III leachate pond and construction of a stormwater retention period.

We will be pleased to receive some feedback from management in due course.

Management Comments:

The total payments to CECK Pty Ltd amounted \$3,263,611.76 (excl. GST). This exceeded the contracted price (including the 10% contingency) of \$2,861,881.32 (excl. GST) by \$115,542.33 (or 4.04%).

The reason for the higher than contracted price was due to a latent condition that necessitated clay to be imported from an onsite stockpile. As a result additional clay had to be transported at a cost of around \$159,000.

It is noted that the total expenditure on this is below the budget provision for this project which was \$3,420,268 (excl. GST)– (refer Item 9 of Ordinary Meeting of Council 24 September 2009 and Technical Advisory Committee 17 September 2009).

CREDITORS

As part of our audit process, we carried out a review of the creditors system. We noted that there is no independent review of the creation and amendments to creditor master files. Lack of such control may provide opportunities for fraudulent/inappropriate payments to be processed i.e. via setting up false companies and/or bank accounts.

As the system of good internal control is the cornerstone in relation to the reliability of the information produced by the accounting system, we recommend that the creation and amendments to creditor master files be reviewed by an independent senior officer. This will ensure that information entered has been properly verified and the creditors on the system are valid.

Management Comments:

We will ensure such that a senior officer such as the Senior Finance Officer or the Manager Financial Services reviews the creation and amendments to creditor master files for future transactions.

PROVISIONS FOR SITE REHABILITATION AND ENVIRONMENTAL MONITORING

We note that the base value in the provision calculations for site rehabilitation and environmental monitoring which represents the estimated cost of the rehabilitation and environmental monitoring at the Red Hill site has not been updated. It is our understanding that the cost estimate should be reviewed periodically to reflect the most up-to-date cost calculation.

The estimated costs may be currently out of date and the values calculated and recorded for these provisions in the books may not be representative of their current estimated costs for rehabilitating and monitoring the Red Hill site. We recommend that the costing for these provisions be reviewed and if applicable, increased accordingly.

Management Comments:

We agree that the site rehabilitation and environmental monitoring costs should be reviewed periodically. Costs will be reviewed in time so that updated costs, if any, will be budgeted for and included in the FY2011/12.

INVESTMENT OF SURPLUS FUNDS

Regulation 19(1) of the Local Government (Financial Management) Regulations 1996 stipulates that a local government is to establish and document internal control procedures to be followed by employees to ensure control over investments.

There appears to be no documented internal control procedures with regards to placement of Council surplus funds i.e. recording of interest quotes from banks, confirmation and authorisation of deals, etc. Current practice appears to be at the discretion of management responsible for this function.

The Department of Local Government Guideline 19 for investments indicates that there should be proper procedures and controls in place for the placement and redemption of investments, the receipt of income and regular valuations of the investment portfolio. Well defined controls for the management of investments should include the separation of functions for approved authority, execution of transactions and reporting.

We recommend that a formal internal control procedural document be created to support management's activities. This will assist to:

- (a) ensure that adequate control exists over the investment of surplus funds by providing guidance to be followed by employees
- (b) retain corporate knowledge and to facilitate staff training;
- (c) reflect the desired processes and procedures undertaken in the finance department; and
- (d) ensure that roles and responsibilities are clearly defined.

Management Comments:

Currently all the recommended processes are already being done as evidenced by the emails and approvals provided by the Director, Corporate Services. However, a formal internal control procedure document will be created to support the current management's activities.

IT CONTROLS

We discussed with the Manager Information Services about the general controls operating at your computer installation. Generally, the controls appear to be satisfactory.

As part of our review, we examined the IT access controls surrounding the finance modules such as accounts receivable, accounts payable, payroll, etc/. We were advised that three (3) monthly reviews were performed to review users' access rights and responsibility structures, however they were not formally documented.

We recommend that the management conduct a formal process to review users' access rights and module responsibility structures at regular intervals (i.e. every 6 months, etc). This will ensure that only persons with authorised module access can process transactions to the accounting system.

Management Comments:

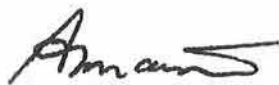
The IT Department currently makes changes to the users' access rights and reporting structures if the staff member's role has changed or they transferred to another position in the company.

We agree with the audit comments in that unless it is formally documented and adhered to, there is a risk that updates are not done immediately until the three monthly review.

We will introduce this process and also ensure formal documentations are in place.

We thank your staff for the assistance given during the audit. Should you have any queries with respect to the above or any other matters please do not hesitate to contact us.

Yours faithfully



MACRI PARTNERS

EMRC01 AMmg Intern Audit Visit Letter 2010





13 REPORTS OF DELEGATES

Nil

14 CONFIDENTIAL MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC

Nil

15 GENERAL BUSINESS

Nil

16 FUTURE MEETINGS OF THE AUDIT COMMITTEE

Meetings of the Audit Committee are covered under the Audit Committee Terms of Reference as follows.

“2.3 Meetings

The committee meet as required at the discretion of the chairman of the committee at least three (3) times per year to coincide with approval of strategic and annual plans, the annual budget and the auditor’s report on the annual financial report.

Additional meetings shall be convened at the discretion of the Chairman or at the written request of any member of the Committee or external auditor.”

Future Meetings 2010

Thursday 14 October (if required) at EMRC Administration Office

17 DECLARATION OF CLOSURE OF MEETING

There being no further business the meeting was closed at 6.48pm.