

## AUDIT COMMITTEE

### MINUTES

10 September 2008

(REF: COMMITTEES-8483)

A meeting of the Audit Committee was held at the EMRC Administration Office, 1<sup>st</sup> Floor, 226 Great Eastern Highway, BELMONT WA 6104 on **Wednesday, 10 September 2008**. The meeting commenced at **6.00pm**.

### TABLE OF CONTENTS

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1	<b>DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS</b>	1
2	<b>ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED</b>	1
3	<b>DISCLOSURE OF INTERESTS</b>	1
4	<b>ANNOUNCEMENT BY THE CHAIRMAN OR PERSON PRESIDING WITHOUT DISCUSSION</b>	1
5	<b>APPLICATION FOR LEAVE OF ABSENCE</b>	1
6	<b>PRESENTATIONS</b>	1
7	<b>CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS</b>	2
	7.1 <i>MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 7 AUGUST 2008</i> <i>(Ref: Committees-8233)</i>	2
8	<b>QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN</b>	2
	8.1 <i>CR PULE'S QUESTIONS</i>	2
9	<b>QUESTIONS WITHOUT NOTICE</b>	4
10	<b>ANNOUNCEMENT OF CONFIDENTIAL MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC</b>	4
11	<b>BUSINESS NOT DEALT WITH FROM A PREVIOUS MEETING</b>	4
12	<b>REPORTS OF OFFICERS/AUDITORS</b>	5
	12.1 <i>INTERIM AUDIT REPORT FOR YEAR ENDING 30 JUNE 2008 (Ref: Committees-8534)</i>	5
	12.2 <i>ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2008 (Ref: Committees-8528)</i>	10
13	<b>REPORTS OF DELEGATES</b>	61
14	<b>CONFIDENTIAL MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC</b>	61
15	<b>GENERAL BUSINESS</b>	61
16	<b>FUTURE MEETINGS OF THE AUDIT COMMITTEE</b>	61
17	<b>DECLARATION OF CLOSURE OF MEETING</b>	61

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## 1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Chairman opened the meeting at 6.00pm and welcomed Mr Terry Tan from Macri Partners and Ms Pina Martino, Administration Support officer.

## 2 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED

### Councillor Attendance

Cr David Färdig ( <b>Chairman</b> )	EMRC Member	City of Swan
Cr Gerry Pule (Deputising for Cr Klein)	EMRC Member	Town of Bassendean
Cr Don McKechnie	EMRC Member	Shire of Kalamunda
Cr David Lavell	EMRC Member	Shire of Mundaring

### Apologies

Cr Tina Klein ( <b>Deputy Chairman</b> )	EMRC Member	Town of Bassendean
Mr Gavin Watters	EMRC Member	EMRC

### EMRC Officers

Mr Mick McCarthy	Acting Chief Executive Officer
Mr Peter Schneider	Executive Manager, Corporate Services
Mr David Ameduri	Manager, Financial Services
Ms Mary-Ann Winnett	Personal Assistant to Executive Manager, Corporate Services (Minutes)
Ms Pina Martino	Administration Support Officer (observer)

### Visitors

Mr Terry Tan	Macri Partners
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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 7 AUGUST 2008

That the Minutes of the Audit Committee meeting held 7 August 2008, which have been distributed, be confirmed.

#### AUDIT COMMITTEE RESOLUTION(S)

MOVED CR MCKECHNIE                      SECONDED CR LAVELL

THAT THE MINUTES OF THE AUDIT COMMITTEE HELD ON 7 AUGUST 2008, WHICH HAVE BEEN DISTRIBUTED, BE CONFIRMED.

**CARRIED UNANIMOUSLY**

## 8 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

### 8.1 CR PULE'S QUESTIONS

Cr Pule raised a number of queries via email and advised that he was satisfied with the explanations, provided prior to the meeting, by the Executive Manager Corporate Services. A copy of the questions and responses given is provided below (with questions of a confidential nature removed to maintain that classification):

**Question 1**                      Item 12.2 p4 Recommendation 2 Q. What is the date within 30 days of receipt by L/G CEO. Does this mean that the auditor sends an independent report and compliance is within 30 days of that report being sent?

**Response**                      We received the independent audit report late yesterday and it will be tabled at the meeting. The 30 day period commences from receipt of that report.

**Question 3**                      Item 12.2 p5 Q Actual Net Result \$3,079,202:  
a) \$3,839,973 below 06/07 and \$6,322,841 below 07/08 budget. If \$3,079,202 and \$3,839,973 equal \$6,918,173 what is the difference of – (\$ 595,334) from the budgeted 07/08 amount of \$6,322,841?  
b) Is this budgeted items not undertaken in 07/08?

**Response**                      a) \$3,838,973 is a comparison to the 2006/07 actual result of \$6,918,175. \$6,322,841 plus \$3,079,202 equals the 2007/08 budget i.e. \$6,322,841 is the variance to the 2007/08 budget.  
b) The variance to the 2007/08 budget is predominantly as a result of the unrealised losses from investments being written down to their market value.

**Question 3 (sic)**                      Item 12.2 p5 Q. Sale of Hills Spine Road;  
a) Has this sale now taken place as I thought it was proposed?  
b) What happened to the expected sale price resulting in a reduction of profits by \$500,000?  
c) Was the expected sale price based on a valuation and what was the valuation?

**Response**                      a) The Hills Spine Road sale has not taken place. It has been deferred as per a confidential report that went to the August 08 meeting of Council.  
b) The disposal has been transferred to the 2009/10 financial year of the 5 year financial plan.  
c) The expected sale price was a management estimate only.



*Item 8.1 continued*

**Question 4** Item 12.2 p5 Q. Balance Sheet (pg7-8 of 45):

- a) The overall impact of cash & investments is an increase of \$1,747,039 to \$25,890,784.
- b) Total Revenue shows \$25,218,863 (Is this plus \$1,747,039 or inclusive?).
- c) Total Revenue of \$25,218,863 and the overall impact on cash and investment of \$25,890,784 shows a difference of \$671,921. How does this come about?

**Response**

- a) Agreed.
- b) The figures being quoted are not directly comparable. However having said that, the cash surplus generated from the net result for the year listed on page 6 of 45 does go into cash and investments.
- c) Again, these figures are not comparable. Revenue per se does not contribute to cash and investments i.e the amount of revenue available to go into cash and investments is net of operating expenses and capital expenditure.

**Question 6** Item 12.2 p6 Q. Cash Flow Statement (pg 9 of 45)

- a) What cash receipts from sale of assets (363,136)
- b) What cash payments for acquisition of assets (\$4,042,836)
- c) Are any of these amounts reflected in the Unrealised Loss or is this an additional realised loss?

**Response**

- a) Cash receipts from sale of assets relates to the disposal of replaced plant e.g. motor vehicles per the asset replacement budget
- b) Cash payments for acquisition of assets relates to capital expenditure for plant and equipment, IT equipment, furniture and equipment etc per the 2007/08 capex budget.
- c) These items are not in any way related to or associated with the unrealised losses from the write down of investments.

**Question 7** Item 12.2 p6 Q. Decrease Net Cash of Operating Activity of \$781,921 from 06/07 (ie \$9,928,744 of 07/08 and \$10,710,665 of 06/07). To what is this contribute to?

**Response** The difference in net cash provided between years is as a result of the change in receipts and payments between the two years. This is highlighted on page 9 of 45 and page 33 of 45.

**Question 8** Item 12.2 p6 Q. Overall Impact increase of \$9,712,062 to \$10,495,417 due to investments converted to cash and cash equivalents (pg 32 pg 24 of 45 note 8a):

- What investments?
- What values?

**Response** The investments converted to cash was as a result of the disposal of some financial instruments and their subsequent reinvestment into term deposits, together with surplus funds placed into term deposits which are classed as cash and cash equivalents, as distinct from investments i.e. investments are not classed as cash.



*Item 8.1 continued*

<b>Question 9</b>	Item 12.2 p6 Q Significant Capital Items budgeted but not purchased or undertaken. Which items will be carried forwards and Which items will be deleted or not undertaken?
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**Response** This question was answered in the 2008/09 budget report that was adopted by Council in August 2008.

**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 INTERIM AUDIT REPORT FOR YEAR ENDING 30 JUNE 2008**

**REFERENCE: COMMITTEES-8534**

#### **PURPOSE OF REPORT**

To provide for information to the Audit Committee and to Council a copy of the report on the Interim Audit visit for the year ending 30 June 2008.

#### **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:

- Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters.

#### **Recommendation(s)**

That the report on the Interim Audit visit for the year ending 30 June 2008 be received.

#### **SOURCE OF REPORT**

Executive Manager Corporate Services  
Manager Financial Services

#### **BACKGROUND**

The Terms of Reference of the Committee require the Committee to discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters. Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council if appropriate.

#### **REPORT**

Council's auditors undertook an interim audit visit in April 2008 for the year ending 30 June 2008.

The interim audit covered a review of the accounting and internal control procedures in operation, as well as testing of transactions in the areas of purchases, payments and creditors, receipts and sundry debtors, payroll, registers, general accounting and computer environment.

A copy of the report on the Interim Audit visit for the year ending 30 June 2008 will be tabled at the meeting.

The external auditors will be present at the meeting to address their report and answer any queries the Committee may have.

#### **STRATEGIC/POLICY IMPLICATIONS**

Addresses the following:

- To continue to improve financial and asset management practices;
- To provide responsible and accountable governance and management of the EMRC.





PARTNERS  
Anthony Macri FCPA  
Domenic Macri CPA  
Connie Macri CA

Certified Practising Accountants

8 September 2008

RECEIVED  
10 SEP 2008

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

Dear Sir

**RE: INTERIM AUDIT VISIT FOR THE YEAR ENDING 30 JUNE 2008**

We carried out an interim audit of the Council for the year ending 30 June 2008.

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 and Computer Environment
- Registers (Tender Register and Register of Financial Interests)

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 are brought to your attention.

### SUNDRY DEBTORS

As part of our audit process, we also carried out a review of the sundry debtors. The sundry debtors aged trial balance report as at 29 April 2008 showed a number of overdue accounts in the 90 days and over category which exist in the report, namely:

<b>Debtor Name</b>	<b>Amount \$</b>
Department of Transport and Regional Development	11,946.00
Toy Distributors Pty Ltd	1,036.00
Adam Johnson	2,294.15
City of Bayswater	18,260.00

As auditors, we have a responsibility to bring the matter to the Council's attention and will continue to review the progress and the processes undertaken by the management to recover these debts.

We request that the management initiate further follow up action of all debtors outstanding in excess of 90 days and over category with the view to resolving the long overdue accounts.

**Management Comment:**

*These items have all since been settled except for the outstanding amount relating to the Department of Transport and Regional Development which has been cancelled following a grant acquittal review i.e. we were not entitled to receive the amount invoiced as the project was completed under budget.*

### INVESTMENT OF SURPLUS FUNDS

We conducted a review of investment of surplus funds made by the Council

The following matters are raised below for your consideration:

- (i) Regulation 19 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.

We observed that no formal established and documented internal control procedures exist to properly address the work process in relation to the management of investment funds.

We recommend that the internal control procedures be established and documented to fully comply with the Regulation.

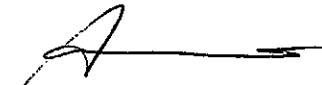


**Management Comment:**

***This matter is currently being addressed in conjunction with the review of the Management of Investments Policy and a number of controls have been implemented that now require documenting.***

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

Yours faithfully



**MACRI PARTNERS**

S:\Audit\EMRC01 AMmg INTERIM AUDIT VISIT LETTER 2008





## 12.2 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2008

**REFERENCE: COMMITTEES-8528**

### PURPOSE OF REPORT

To review Council's draft Annual Financial Report for the Year Ended 30 June 2008 and to recommend adoption of the Annual Financial Report for the Year Ended 30 June 2008.

### 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 2008 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 2007/2008 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government and Regional Development, within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.

### SOURCE OF REPORT

Executive Manager Corporate Services  
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.

Terms of Reference 2.5(a)(v) and (vi) of the duties and responsibilities of the Committee require the Committee to Review the draft annual financial report and recommend adoption to Council.

### 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 12.2 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 2008.

The independent audit report on that Annual Financial Report is yet to be received. However, it is expected to be received early in the week commencing Monday 8 September 2008 and will be tabled at the Audit Committee meeting to be held 10 September 2008.

Attached is a copy of the draft audited Annual Financial Report for the year ended 30 June 2008 (pages 1-45) 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 2007/2008.

**Income Statement (pg 6 of 45)**

Total Revenue from Ordinary Activities of \$25,218,863 as at 30 June 2008 is \$5,088,963 greater than the 2006/2007 actual revenue from ordinary activities and \$2,300,856 below budget for 2007/2008.

Total Expenses from Ordinary Activities of \$17,983,700 are \$4,686,630 greater than the 2006/2007 actual expenses from ordinary activities and \$754,568 below budget for 2007/2008.

An actual profit of \$24,240 has resulted from the Disposal of Assets as at 30 June 2008 and is \$1,716 greater than the 2006/2007 actual profit and \$596,352 below the budget for 2007/2008.

An Unrealised loss of \$4,180,201 has resulted from the change in the fair value of investments as at 30 June 2008 compared to an unrealised gain of \$62,821 as at 30 June 2007.

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 \$3,079,202 as at 30 June 2008 is \$3,838,973 below the level of 2006/2007 and \$6,322,841 below the 2007/2008 budget.

This variation to budget is principally a result of the unrealised loss of \$4,180,201 on the market value of investment as outlined above together with other variations to budget which were identified as part of the half year budget review process undertaken during March/April 2008 and submitted to Council via the Audit Committee meeting held on 10 April 2008.

Significant items resulting from the half year budget review included the reduction of income expected to be received from the disposal of Class IV material at the Red Hill Waste Disposal site (\$1,311,000) and a reduction in the profit from the Sale of Assets relating to the sale of EMRC land associated with the Hills Spine Road which was carried forward into the 2009/2010 financial year (\$500,000).

**Balance Sheet (pg 7 - 8 of 45)**

Current assets as at 30 June 2008 have increased \$2,448,225 in comparison to the level stated as at 30 June 2007. This relates primarily to increased cash receipts from operations.

The overall impact on cash and investments at the close of the financial year is an increase of \$1,747,039 to \$25,890,784.

Current liabilities as at 30 June 2008 have decreased \$379,028 in comparison to the level stated as at 30 June 2007. This relates predominantly to the full repayment of loans to nil as at the reporting year end.



*Item 12.2 continued*

The value of Reserves has increased by \$6,227,101 in comparison to the level stated as at 30 June 2007. This is primarily as a result of the low level of funds utilised from Reserve funds together with the high level of funds transferred to Reserve funds during the 2007/2008 financial year.

Overall equity has increased during the 2007/2008 financial year by \$3,079,202 to \$43,091,267.

**Cash Flow Statement (pg 9 of 45)**

Net Cash provided by Operating Activities of \$9,928,744 reflects a decrease of \$781,921 from the 2006/2007 value of \$10,710,665.

The overall impact on the cash position at the close of the financial year is an increase of \$9,712,062 to \$10,495,417. This is principally as a result of investments converted to cash and cash equivalents [refer page 24 of 45, Note 8(a)].

The cash flows used in investing activities for 2007/2008 reflects capital expenditure totalling \$4,042,836 compared to capital expenditure totalling \$9,122,364 during 2006/2007.

Significant items of capital expenditure during the year included:

- Purchase/replace vehicles - Ascot Place and Red Hill (\$673,828);
- Completion of the Class IV - Stage 2 Landfill Cell construction (\$1,497,024);
- Construction of the Class IV - Leachate Pond (\$178,649);
- Part construction of hardstand and road at the Hazelmere site (\$185,166);
- Purchase/replace minor plant and equipment - Red Hill (\$236,540); and
- Purchase/replace plant - Red Hill (\$649,568).

Significant capital items that were budgeted but not purchased, constructed or construction not completed during the year included:

- Purchase/replace vehicles - Ascot Place (\$161,450);
- Information technology purchases (\$137,726);
- Upgrade administration building (\$300,000);
- Upgrade air conditioning equipment (\$159,462);
- Preliminary works for the construction of a Resource Recovery Facility (\$2,000,000);
- Purchase waste management land (\$650,000);
- Construction of administration buildings - Red Hill (\$114,060);
- Construction of asbestos cell - Red Hill (\$77,200);
- Construction of roads/car parks - Red Hill (\$256,957);
- Construct water storage dams - Red Hill (\$256,957);
- Construct perimeter bunds - Red Hill Landfill facility (\$245,200);
- Construct hardstand and road - Hazelmere (\$115,834); and
- Purchase/Replace Plant - Red Hill Landfill facility (\$623,922).

Funding for the majority of the capital items listed above has been carried forward into the 2008/2009 financial year.



*Item 12.2 continued*

### **Reserves (pg 29 - 32 of 45)**

During the 2007/2008 financial year the amount held in Reserves (page 31 of 45, Note 17) increased by \$6,227,101 to a balance of \$23,462,152. This is \$1,370,590 more than the original budgeted 2007/2008 closing balance of \$22,091,562. As previously stated, this is primarily as a result of the low level of funds utilised from Reserve funds together with the high level of funds transferred to Reserve funds during the 2007/2008 financial year.

### **STRATEGIC/POLICY IMPLICATIONS**

Addresses the following:

Key Result Area 3 - Economic Development

- 3.4 - To improve member Council and EMRC financial viability

Key Result Area 4 - Good Governance

- 4.6 - To continue to improve financial and asset management.

### **FINANCIAL IMPLICATIONS**

As outlined in the report and attachments

### **SUSTAINABILITY IMPLICATIONS**

Nil

### **MEMBER COUNCIL IMPLICATIONS**

#### **Member Council**

Town of Bassendean  
City of Bayswater  
City of Belmont  
Shire of Kalamunda  
Shire of Mundaring  
City of Swan

#### **Implication Details**

} Nil direct implications for member Councils

### **ATTACHMENT(S)**

1. Annual Financial Report for the Year Ended 30 June 2008 (Ref: Committees-8535)
2. Tabled at the meeting - Independent Audit Report from Macri Partners (Ref: Committees-8583)

### **VOTING REQUIREMENT**

Simple Majority



*Item 12.2 continued*

## **RECOMMENDATION(S)**

That:

1. The audited Annual Financial Report for the Year Ended 30 June 2008 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 2007/2008 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government and Regional Development, within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.

Cr McKechnie referred to page 6 of the agenda – Part construction of hardstand and road at Hazelmere site and the expenditure of \$185,166 and asked if the EMRC ever expected to make money on the venture or was the amount related to the operation of Hazelmere. The Executive Manager Corporate Services explained that the figure related to capital expenditure during the year.

Cr McKechnie referred to page 6 of the agenda – Purchase/replace vehicles – Ascot Place and Red Hill and asked why EMRC did not purchase these vehicles. The Executive Manager Corporate Services advised that the EMRC had a replacement programme for vehicles which was based on years or kilometres and vehicles that had not reached the relevant anticipated milestone had their disposal and replacement deferred to the following year.

Cr McKechnie referred to page 6 of the agenda – Net Cash provided by Operating Activities and the decrease from the 2006/2007 and 2007/2008 budget values. The Executive Manager Corporate Services advised that the references to the budget in this report related to the original adopted budget and a half yearly review is undertaken after six (6) months and a revised budget was adopted based on anticipated volumes going through Red Hill.

Cr Pule referred to the projected income from landfill from the Brockway Waste Transfer Station Diacom Project which was based on volumes of approximately 33,900 tonnes per year and said he understood the volumes were likely to be reduced to approximately 17,000 tonnes per year and asked if this would have an impact on the EMRC. The Executive Manager Corporate Services advised that it could have an impact depending on when it came on stream, however annual tonnage estimates were normally determined in consultation with WMRC officers.

In response to Cr Lavell's query on whether the EMRC had any indication on whether there had been a decline in revenue since the EMRC commenced management of the Mundaring Transfer Station, the Executive Manager Corporate Services advised that the EMRC had only taken over management of the site from 1 September 2008 so it was too early to assess.

## **AC RECOMMENDATION(S)**

MOVED CR LAVELL

SECONDED CR MCKECHNIE

That:

1. The audited Annual Financial Report for the Year Ended 30 June 2008 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 2007/2008 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government and Regional Development, within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.

**CARRIED UNANIMOUSLY**



*Item 12.2 continued*

**COUNCIL RESOLUTION(S)**

MOVED CR PULE

SECONDED CR LAVELL

THAT:

1. THE AUDITED ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008 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 2007/2008 ANNUAL FINANCIAL REPORT BE SUBMITTED TO THE DEPARTMENTAL CEO, DEPARTMENT OF LOCAL GOVERNMENT AND REGIONAL DEVELOPMENT, 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 2008**

**EASTERN METROPOLITAN REGIONAL COUNCIL**

**2007/2008 ANNUAL FINANCIAL REPORT**

**TABLE OF CONTENTS**

<b>DETAILS</b>	<b>PAGE NO</b>
<b>Statement by Chief Executive Officer</b>	4
<b>Financial Statements</b>	
Income Statement	6
Balance Sheet	7
Statement of Changes in Equity	8
Cash Flow Statement	9
<b>Notes to and forming part of the Financial Statements</b>	11-42
<b>Independent Audit Report</b>	42-45

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**STATEMENT BY CHIEF EXECUTIVE OFFICER**



**For the Year Ended  
30 June 2008**

**EASTERN METROPOLITAN REGIONAL COUNCIL**

**FINANCIAL REPORT**

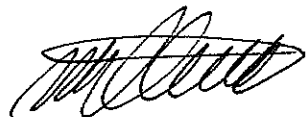
**FOR THE YEAR ENDED 30 JUNE 2008**

**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 2008 are in my opinion properly drawn up to present fairly the financial position of the Eastern Metropolitan Regional Council at 30 June 2008 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed on the 9th day of September 2008



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**MICHAEL J. McCARTHY**  
*Acting Chief Executive Officer*

## **FINANCIAL STATEMENTS**



**For the Year Ended  
30 June 2008**

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

	NOTE	ACTUAL 2007/2008 \$	BUDGET 2007/2008 \$	ACTUAL 2006/2007 \$
<b>REVENUE FROM ORDINARY ACTIVITIES</b>				
Governance		344,399	625,855	365,711
General Purpose Funding		1,573,532	1,476,337	1,589,925
Community Amenities		21,775,881	23,805,474	16,803,798
Other Property and Services		1,525,051	1,612,053	1,370,466
<b>TOTAL REVENUE FROM ORDINARY ACTIVITIES</b>		<b>25,218,863</b>	<b>27,519,719</b>	<b>20,129,900</b>
<b>EXPENSES FROM ORDINARY ACTIVITIES</b>				
Governance		1,849,140	2,248,800	1,617,948
Community Amenities		13,267,634	13,431,656	9,089,122
Other Property and Services		2,866,926	3,057,812	2,590,000
<b>TOTAL EXPENSES FROM ORDINARY ACTIVITIES</b>		<b>17,983,700</b>	<b>18,738,268</b>	<b>13,297,070</b>
<b>INCREASE / (DECREASE)</b>		<b>7,235,163</b>	<b>8,781,451</b>	<b>6,832,830</b>
<b>DISPOSAL OF ASSETS</b>				
Proceeds from Sale of Assets		363,136	1,774,637	354,364
Less Carrying Amount of Assets Disposed Of		(338,896)	(1,154,045)	(331,840)
<b>PROFIT / (LOSS) ON DISPOSALS</b>	<b>24</b>	<b>24,240</b>	<b>620,592</b>	<b>22,524</b>
<b>UNREALISED GAIN/(LOSS) FROM CHANGE IN FAIR VALUE OF INVESTMENTS</b>				
General Purpose Funding	<b>8(c)</b>	(4,180,201)	0	62,821
<b>GAIN / (LOSS)</b>		<b>(4,180,201)</b>	<b>0</b>	<b>62,821</b>
<b>NET RESULT</b>	<b>2</b>	<b>3,079,202</b>	<b>9,402,043</b>	<b>6,918,175</b>

The income statement is to be read in accordance with the attached  
notes to the financial statements.

# EASTERN METROPOLITAN REGIONAL COUNCIL

## BALANCE SHEET AS AT 30 JUNE 2008

	NOTE	ACTUAL 2007/2008 \$	ACTUAL 2006/2007 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	8(a)	10,495,417	783,355
Investments	8(b)	15,395,367	23,360,390
Trade and Other Receivables	10	2,897,243	2,222,833
Inventories	12	35,645	14,049
Other Assets	11	40,800	35,620
<b>TOTAL CURRENT ASSETS</b>		<b><u>28,864,472</u></b>	<b><u>26,416,247</u></b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	14	2,856,943	2,940,269
Provisions	15	808,472	782,370
Borrowings - Current Portion	16	0	321,804
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>3,665,415</u></b>	<b><u>4,044,443</u></b>
<b>NET CURRENT ASSETS</b>		<b><u>25,199,057</u></b>	<b><u>22,371,804</u></b>
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	13	18,698,399	14,960,316
Work in Progress		354,235	3,709,638
<b>TOTAL NON CURRENT ASSETS</b>		<b><u>19,052,634</u></b>	<b><u>18,669,954</u></b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	15	1,160,424	1,029,693
<b>TOTAL NON CURRENT LIABILITIES</b>		<b><u>1,160,424</u></b>	<b><u>1,029,693</u></b>
<b>NET ASSETS</b>		<b><u>43,091,267</u></b>	<b><u>40,012,065</u></b>
<b>EQUITY</b>			
Retained Surplus		19,629,115	22,777,014
Reserves	17	23,462,152	17,235,051
<b>TOTAL EQUITY</b>		<b><u>43,091,267</u></b>	<b><u>40,012,065</u></b>

The balance sheet is to be read in accordance with the attached notes to the financial statements.

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008**

	NOTE	ACTUAL 2007/2008 \$	ACTUAL 2006/2007 \$
<b>RETAINED SURPLUS</b>			
Balance at the beginning of the year		22,777,014	14,344,281
Net Result		3,079,202	6,918,175
Transfers from Reserves		3,515,552	8,093,035
Transfers to Reserves		(9,742,653)	(6,578,477)
<b>Balance at the end of the year</b>		<u><b>19,629,115</b></u>	<u><b>22,777,014</b></u>
<b>RESERVES</b>			
Balance at the beginning of the year		17,235,051	18,749,609
Amount transferred from accumulated surplus		9,742,653	6,578,477
Amount transferred to accumulated surplus		(3,515,552)	(8,093,035)
<b>Balance at the end of year</b>	17	<u><b>23,462,152</b></u>	<u><b>17,235,051</b></u>
<b>TOTAL EQUITY</b>		<u><u><b>43,091,267</b></u></u>	<u><u><b>40,012,065</b></u></u>

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

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

	NOTE	ACTUAL 2007/2008 \$	BUDGET 2007/2008 \$	ACTUAL 2006/2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Cash Flows from Normal Operating Activities</b>				
Cash receipts in the course of normal operations		20,446,557	21,986,835	17,228,589
Cash payments in the course of normal operations		(15,896,699)	(15,424,305)	(11,102,284)
Interest receipts - Municipal Cash		297,906	234,396	319,667
Interest payments - Loan Ascot Place	25	(15,235)	(15,235)	(34,531)
<b>Net Cash Provided by Normal Operating Activities</b>		<b>4,832,529</b>	<b>6,781,691</b>	<b>6,411,441</b>
<b>Cash Flows from Other Operating Activities</b>				
<u>Resource Recovery</u>				
Cash receipts from secondary waste charge		4,569,240	4,056,547	3,233,369
Cash receipts from resource recovery project		482	0	15,820
Cash payments for resource recovery project		(556,211)	(852,286)	(283,044)
Interest receipts - secondary waste investment		693,174	712,028	716,284
<u>Other Activities</u>				
Interest receipts - other restricted investments		389,530	529,913	616,795
<b>Net Cash Provided by Other Operating Activities</b>		<b>5,096,215</b>	<b>4,446,202</b>	<b>4,299,224</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	18(ii)	<b>9,928,744</b>	<b>11,227,893</b>	<b>10,710,665</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash receipts from sale of assets		363,136	1,774,637	354,364
Cash payments for acquisition of assets		(4,042,836)	(9,381,930)	(9,122,364)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		<b>(3,679,700)</b>	<b>(7,607,293)</b>	<b>(8,768,000)</b>
<b>CASH FLOWS FROM FINANCE ACTIVITIES</b>				
Cash payments - loan principal repayments	25	(321,804)	(321,804)	(302,508)
Cash receipts from sale of investments		4,240,552	0	8,209,406
Cash payments for acquisition of investments		(455,730)	0	(10,248,429)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>3,463,018</b>	<b>(321,804)</b>	<b>(2,341,531)</b>
<b>SUMMARY OF CASH FLOWS</b>				
Cash at the beginning of the year		783,355	783,355	1,182,221
Net Increase (Decrease) in Cash Held		9,712,062	3,298,796	(398,866)
<b>CASH AT THE END OF THE YEAR</b>	18(i)	<b>10,495,417</b>	<b>4,082,151</b>	<b>783,355</b>

The cash flow statement is to be read in accordance with the attached notes to the financial statements.

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



**For the Year Ended  
30 June 2008**

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies which have been adopted in the preparation of these financial statements are:

**Basis of Accounting**

This financial report is a general purpose financial report which has been drawn up in accordance with applicable Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996. They have been prepared on the accrual basis under the convention of historical cost accounting.

**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 balance sheet 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 Cash Flow Statement, 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 balance sheet.

**(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**

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

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**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 these financial statements.

**(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 7. 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 Income Statement.

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**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) Financial Assets and Financial Liabilities**

Council's financial assets and financial liabilities fall into loans and receivables categories and are measured at their initial recognition amount.

**(k) Goods and Services Tax**

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

Cash flows are included in the cash flow statement 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.

**(l) 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 STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(m) 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.

**(n) Provision for Site Rehabilitation**

The estimated closure and post-closure site rehabilitation cost is charged to the income statement 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 2008 is 1,583,833 m<sup>3</sup>.

**(o) Provision for Environmental Monitoring**

The estimated closure and post-closure environmental monitoring cost is charged to the income statement 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 2008 is 1,583,833 m<sup>3</sup>.

**(p) 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 STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(q) 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.

**(r) 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 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.

**(ii) 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 2007/08). It also contributes to the LGSP and other choice funds for full scheme members (5% for 2007/08).

Contributions to defined contribution plans are recognised as an expense as they become payable.

**(s) 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 statement.

**(t) Comparative Figures**

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

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**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 company, are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

**(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 balance sheet.

*(iii) Held-to-maturity investments*

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

*(iv) Available-for-sale financial assets*

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

**Recognition and Derecognition**

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

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

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

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

**Impairment**

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

**(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 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 30TH JUNE 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (x) New Accounting Standards and Interpretations

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

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

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

# EASTERN METROPOLITAN REGIONAL COUNCIL

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

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (x) New Accounting Standards and Interpretations (Continued)

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

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (x) New Accounting Standards and Interpretations (Continued)

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

**Notes:**

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

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

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

2. INCOME STATEMENT BY NATURE AND TYPE	NOTE	ACTUAL 2007/2008 \$	BUDGET 2007/2008 \$	ACTUAL 2006/2007 \$
<b>REVENUE FROM ORDINARY ACTIVITIES</b>				
Fees and Charges	5	21,972,639	24,311,259	17,082,649
Contributions and Reimbursements		597,747	514,230	562,925
Operating Grants	6	828,602	924,193	542,971
Interest Earnings	21	1,573,532	1,476,337	1,652,746
Other Revenue		246,343	293,700	288,609
Profit on Asset Disposals	24	24,240	620,592	22,524
<b>TOTAL REVENUE FROM ORDINARY ACTIVITIES</b>		<b>25,243,103</b>	<b>28,140,311</b>	<b>20,152,424</b>
<b>OPERATING FROM ORDINARY ACTIVITIES</b>				
Employee Costs		5,438,029	5,873,131	4,690,735
Materials and Contracts		5,240,463	6,500,413	3,687,304
Utility Expenses		96,806	102,500	86,595
Insurance Expenses		174,863	149,005	134,957
Finance Fees and Interest Expenses		18,659	17,938	36,730
Other Expenditure		3,693,619	3,775,825	2,708,916
Depreciation Expenses	3	3,321,261	2,319,456	1,951,833
<b>TOTAL EXPENSES FROM ORDINARY ACTIVITIES</b>		<b>17,983,700</b>	<b>18,738,268</b>	<b>13,297,070</b>
<b>UNREALISED GAIN/LOSS FROM CHANGE IN FAIR VALUE OF INVESTMENTS</b>				
Unrealised Gain/(Loss)	8(c)	(4,180,201)	0	62,821
		<b>(4,180,201)</b>	<b>0</b>	<b>62,821</b>
<b>NET RESULT</b>		<b>3,079,202</b>	<b>9,402,043</b>	<b>6,918,175</b>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

<b>3. DEPRECIATION AND AMORTISATION EXPENSE</b>	<b>ACTUAL 2007/2008</b>	<b>BUDGET 2007/2008</b>	<b>ACTUAL 2006/2007</b>
	\$	\$	\$
Depreciation and amortisation expense for the reporting period was charged in respect of:			
Buildings	132,006	131,150	130,437
Structures	2,214,234	1,179,606	967,504
Plant	821,751	736,755	674,419
Equipment	138,014	217,870	157,606
Furniture and Fittings	15,256	54,075	21,867
	<b>3,321,261</b>	<b>2,319,456</b>	<b>1,951,833</b>

**4. COMPONENT FUNCTIONS/ACTIVITIES**

The activities relating to the Eastern Metropolitan Regional Council's components reported on in the Income Statement 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 Facility - 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 the 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 STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

<b>5. FEES AND CHARGES SUMMARY BY PROGRAM</b>	<b>ACTUAL</b>	<b>BUDGET</b>	<b>ACTUAL</b>
	<b>2007/2008</b>	<b>2007/2008</b>	<b>2006/2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Governance	13,420	12,000	12,894
Community Amenities	21,567,095	23,901,359	16,591,689
Other Property and Services	392,124	397,900	478,067
<b>Total Statutory Fees and Charges</b>	<b>21,972,639</b>	<b>24,311,259</b>	<b>17,082,650</b>

<b>6. GRANT REVENUE BY PROGRAM</b>	<b>ACTUAL</b>	<b>ACTUAL</b>
	<b>2007/2008</b>	<b>2006/2007</b>
	<b>\$</b>	<b>\$</b>
Community Amenities	133,932	43,673
Other Property and Services	694,670	499,298
<b>Total Statutory Fees and Charges</b>	<b>828,602</b>	<b>542,971</b>

<b>7. CONTROL OVER CONTRIBUTIONS</b>	<b>ACTUAL</b>	<b>ACTUAL</b>
	<b>2007/2008</b>	<b>2006/2007</b>
	<b>\$</b>	<b>\$</b>
<b>Conditions Over Contributions</b>		
(1) 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	275	0
Swan View Primary School Creekline Rehab. Project	9,494	0
Salinity Management in Wooroloo Demonstrations Project	21,089	16,234
(2) 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
(3) 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:		
Swan Canning Cleanup Project	0	5,971
Astroloma Creek Reserve Restoration Project	0	3,297
Salinity Management in Wooroloo Demonstrations Project	16,234	0
<b>Total</b>	<b>47,092</b>	<b>25,502</b>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

<b>8(a). CASH AND CASH EQUIVALENTS</b>	<b>ACTUAL 2007/2008 \$</b>	<b>ACTUAL 2006/2007 \$</b>
Cash and Cash Equivalents - Unrestricted	6,185,312	480,759
Cash and Cash Equivalents - Restricted	4,310,105	302,596
	<u><b>10,495,417</b></u>	<u><b>783,355</b></u>

**8(b). INVESTMENTS**

Investments - Unrestricted	0	6,087,507
Investments - Restricted	15,395,367	17,272,883
	<u><b>15,395,367</b></u>	<u><b>23,360,390</b></u>

**Financial Assets at fair value through profit or loss**

At the beginning of the year	23,360,390	21,258,546
Additions	455,730	10,248,429
Disposals	(4,240,552)	(8,209,406)
Unrealised gain/(loss) from change in fair value of investments	(4,180,201)	62,821
<b>Value at the end of the year</b>	<u><b>15,395,367</b></u>	<u><b>23,360,390</b></u>

**Held for Trading**

- Financial Instruments	13,117,052	21,233,014
- Managed Funds	2,278,315	2,127,376
<b>Value at the end of the year</b>	<u><b>15,395,367</b></u>	<u><b>23,360,390</b></u>

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

Plant and Equipment	435,809	446,776
Site Rehabilitation Red Hill	2,484,346	2,227,376
Future Development	2,772,925	1,766,384
Environmental Monitoring Red Hill	264,852	249,785
Environmental Insurance Red Hill	246,554	255,782
Risk Management	9,903	9,339
Class IV Cells Red Hill	60,475	85,197
Regional Development	571,244	637,879
Secondary Waste Processing	14,669,799	11,492,413
Class III Cells	1,896,245	64,120
Building Refurbishment (Ascot Place)	50,000	0
Long Service Leave	423,521	340,428
	<u>23,885,673</u>	
Less unrealised gain/(loss) from changes in fair value of Investments	(4,180,201)	
	<u><b>19,705,472</b></u>	<u><b>17,575,479</b></u>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

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

	<b>ACTUAL 2007/2008</b>	<b>ACTUAL 2006/2007</b>
General Purpose Funding	<u>(4,180,201)</u>	<u>62,821</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 Income Statement for those years.

The unrealised gains/(losses), of the investments existing as at 30 June 2008, reflected in the Income Statements are summarised as follows:

<b>Year</b>	<b>\$</b>
2004/2005	158,146
2005/2006	91,810
2006/2007	62,821
2007/2008	(4,180,201)
<b>Net</b>	<b>(\$3,867,424)</b>

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.

**9. 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 2007/2008 budget was \$4,796,325.

The actual net current asset position balance shown in the audited financial report as at 30 June 2007 and after adjustment for Restricted Assets was \$4,796,325.

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

<b>10. TRADE AND OTHER RECEIVABLES</b>	<b>ACTUAL 2007/2008 \$</b>	<b>ACTUAL 2006/2007 \$</b>
General	2,688,558	2,206,674
Administration Office Property Management	251	7,173
Miscellaneous	15,511	8,986
Accrued Interest Earnings	192,923	0
	<u><u>2,897,243</u></u>	<u><u>2,222,833</u></u>

<b>11. OTHER ASSETS</b>	<b>ACTUAL 2007/2008 \$</b>	<b>ACTUAL 2006/2007 \$</b>
Prepayment - General	20,540	14,743
Prepayment - Insurance	11,345	12,001
Prepayment - Miscellaneous	8,915	8,876
	<u><u>40,800</u></u>	<u><u>35,620</u></u>

<b>12. INVENTORIES</b>	<b>ACTUAL 2007/2008 \$</b>	<b>ACTUAL 2006/2007 \$</b>
Distillate	21,192	9,318
Oils	2,614	3,713
Unleaded Fuel	11,839	1,018
	<u><u>35,645</u></u>	<u><u>14,049</u></u>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**13. NON CURRENT ASSETS MOVEMENTS - PROPERTY, PLANT AND EQUIPMENT**

	LAND	BUILDINGS	STRUCTURES	PLANT	EQUIPMENT	FURNITURE and FITTINGS	TOTAL
	\$	\$	\$	\$	\$	\$	\$
<b>Carrying Amount at Cost</b>							
Balance 30 June 2007	5,031,413	3,611,804	10,272,252	5,598,557	1,471,172	361,589	<b>26,346,787</b>
Additions	0	56,590	5,456,437	1,623,692	219,190	42,331	<b>7,398,240</b>
Disposals	0	(5,262)	0	(537,292)	(68,812)	0	<b>(611,366)</b>
<b>Balance 30 June 2008</b>	<b><u>5,031,413</u></b>	<b><u>3,663,132</u></b>	<b><u>15,728,689</u></b>	<b><u>6,684,957</u></b>	<b><u>1,621,550</u></b>	<b><u>403,920</u></b>	<b><u>33,133,661</u></b>
<b>Accumulated Depreciation / Amortisation</b>							
Balance 30 June 2007	0	(1,195,352)	(5,563,014)	(3,080,462)	(1,253,209)	(294,434)	<b>(11,386,471)</b>
Disposals	0	5,262	0	199,205	68,003	0	<b>272,470</b>
Depreciation Expense	0	(132,006)	(2,214,234)	(821,751)	(138,014)	(15,256)	<b>(3,321,261)</b>
<b>Balance 30 June 2008</b>	<b><u>0</u></b>	<b><u>(1,322,096)</u></b>	<b><u>(7,777,248)</u></b>	<b><u>(3,703,008)</u></b>	<b><u>(1,323,220)</u></b>	<b><u>(309,690)</u></b>	<b><u>(14,435,262)</u></b>
<b>Net Book Value</b>							
<b>As at 30 June 2007</b>	<b><u>5,031,413</u></b>	<b><u>2,416,452</u></b>	<b><u>4,709,238</u></b>	<b><u>2,518,095</u></b>	<b><u>217,963</u></b>	<b><u>67,155</u></b>	<b><u>14,960,316</u></b>
<b>As at 30 June 2008</b>	<b><u>5,031,413</u></b>	<b><u>2,341,036</u></b>	<b><u>7,951,441</u></b>	<b><u>2,981,949</u></b>	<b><u>298,330</u></b>	<b><u>94,230</u></b>	<b><u>18,698,399</u></b>

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 STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

14. TRADE AND OTHER PAYABLES	ACTUAL 2007/2008 \$	ACTUAL 2006/2007 \$
<b>Current - Creditors</b>		
Payroll Accruals	76,613	47,316
Payroll PAYG Tax	78,769	62,531
Accrued Interest	0	8,597
Amounts Received in Advance	133,856	179,341
GST Liability	309,274	(200,035)
Refundable Deposits	0	(17,800)
Sundry Creditors	2,258,431	2,860,319
	<u><b>2,856,943</b></u>	<u><b>2,940,269</b></u>
<b>15. PROVISION</b>		
<b>Current</b>		
Employees Annual Leave	511,585	508,418
Employees Long Service Leave	296,887	273,952
	<u><b>808,472</b></u>	<u><b>782,370</b></u>
<b>PROVISION</b>		
<b>Non-current</b>		
Long Service Leave	51,216	52,213
Red Hill Landfill Site Rehabilitation	1,008,373	888,620
Red Hill Landfill Environmental Monitoring	100,835	88,860
	<u><b>1,160,424</b></u>	<u><b>1,029,693</b></u>
<b>16. BORROWINGS</b>		
	ACTUAL 2007/2008 \$	ACTUAL 2006/2007 \$
<b>Unsecured</b>		
Current		
Loans	0	321,804
Non-Current		
Loans	0	0
<b>Total Borrowings</b>	<u><b>0</b></u>	<u><b>321,804</b></u>

Additional detail on borrowings is provided in Notes 25 and 26.

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**17. RESERVES**

	<b>ACTUAL</b> <b>2007/2008</b> \$	<b>BUDGET</b> <b>2007/2008</b> \$	<b>ACTUAL</b> <b>2006/2007</b> \$
<b>(a) Plant and Equipment Reserve</b>			
Opening balance as at 1 July	446,776	446,776	633,111
Transfer from accumulated surplus	891,685	1,398,255	460,068
Transfer to accumulated surplus	(929,600)	(1,472,490)	(691,750)
Interest	26,948	22,017	45,347
<b>Closing Balance as at 30 June</b>	<b>435,809</b>	<b>394,558</b>	<b>446,776</b>
<b>(b) Site Rehabilitation Reserve</b>			
Opening balance as at 1 July	2,227,376	2,227,376	2,008,946
Transfer from accumulated surplus	100,000	100,000	100,000
Transfer to accumulated surplus	0	0	0
Interest	156,970	151,103	118,430
<b>Closing Balance as at 30 June</b>	<b>2,484,346</b>	<b>2,478,479</b>	<b>2,227,376</b>
<b>(c) Future Development Reserve</b>			
Opening balance as at 1 July	1,766,384	1,766,384	1,368,375
Transfer from accumulated surplus	900,000	2,050,000	300,000
Transfer to accumulated surplus	0	(650,000)	0
Interest	106,541	174,644	98,009
<b>Closing Balance as at 30 June</b>	<b>2,772,925</b>	<b>3,341,028</b>	<b>1,766,384</b>
<b>(d) Environmental Monitoring Reserve</b>			
Opening balance as at 1 July	249,786	249,786	233,090
Transfer from accumulated surplus	0	0	0
Transfer to accumulated surplus	0	0	0
Interest	15,066	16,469	16,695
<b>Closing Balance as at 30 June</b>	<b>264,852</b>	<b>266,254</b>	<b>249,785</b>
<b>(e) Environmental Insurance Reserve</b>			
Opening balance as at 1 July	255,782	255,782	261,018
Transfer from accumulated surplus	0	0	0
Transfer to accumulated surplus	(24,656)	(22,500)	(23,932)
Interest	15,428	16,121	18,696
<b>Closing Balance as at 30 June</b>	<b>246,554</b>	<b>249,403</b>	<b>255,782</b>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**17. RESERVES (Continued)**

	<b>ACTUAL 2007/2008 \$</b>	<b>BUDGET 2007/2008 \$</b>	<b>ACTUAL 2006/2007 \$</b>
<b>(f) Risk Management Reserve</b>			
Opening balance as at 1 July	9,339	9,339	8,715
Transfer from accumulated surplus	0	0	0
Transfer to accumulated surplus	0	0	0
Interest	564	616	624
<b>Closing Balance as at 30 June</b>	<b>9,903</b>	<b>9,955</b>	<b>9,339</b>
<b>(g) Class IV Reserve</b>			
Opening balance as at 1 July	85,197	85,197	2,209,575
Transfer from accumulated surplus	70,140	193,536	153,600
Transfer to accumulated surplus	(100,000)	(76,516)	(2,436,239)
Interest	5,138	13,129	158,261
<b>Closing Balance as at 30 June</b>	<b>60,475</b>	<b>215,346</b>	<b>85,197</b>
<b>(h) Regional Development Reserve</b>			
Opening balance as at 1 July	637,879	637,879	634,166
Transfer from accumulated surplus	250,000	250,000	250,000
Transfer to accumulated surplus	(355,109)	(556,525)	(291,710)
Interest	38,474	29,255	45,423
<b>Closing Balance as at 30 June</b>	<b>571,244</b>	<b>360,609</b>	<b>637,879</b>
<b>(i) Secondary Waste Reserve</b>			
Opening balance as at 1 July	11,492,413	11,492,413	10,000,459
Transfer from accumulated surplus	4,513,200	4,056,547	3,233,370
Transfer to accumulated surplus	(2,028,987)	(4,113,856)	(2,457,700)
Interest	693,173	712,028	716,284
<b>Closing Balance as at 30 June</b>	<b>14,669,799</b>	<b>12,147,132</b>	<b>11,492,413</b>
<b>(j) Class III Reserve</b>			
Opening balance as at 1 July	64,120	64,120	1,392,153
Transfer from accumulated surplus	1,905,458	2,431,448	763,958
Transfer to accumulated surplus	(77,200)	0	(2,191,704)
Interest	3,867	83,228	99,713
<b>Closing Balance as at 30 June</b>	<b>14,669,799</b>	<b>12,147,132</b>	<b>11,492,413</b>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**17. RESERVES (Continued)**

	ACTUAL 2007/2008 \$	BUDGET 2007/2008 \$	ACTUAL 2006/2007 \$
<b>(k) Building Refurbishment Reserve</b>			
Opening balance as at 1 July	0	0	0
Transfer from accumulated surplus	50,000	50,000	0
Transfer to accumulated surplus	0	0	0
Interest	0	0	0
<b>Closing Balance as at 30 June</b>	<b>50,000</b>	<b>50,000</b>	<b>0</b>
<b>RESERVES AT END OF FINANCIAL YEAR</b>	<b>23,462,152</b>	<b>22,091,562</b>	<b>17,235,051</b>

**FUNDS SET ASIDE FOR :**

**Long Service Leave Reserve**

Opening balance as at 1 July	340,428	340,428	217,770
Transfer from accumulated surplus	62,560	62,560	107,060
Transfer to accumulated surplus	0	0	0
Interest	20,533	23,330	15,598
<b>Closing Balance as at 30 June</b>	<b>423,521</b>	<b>426,318</b>	<b>340,428</b>

Fair value of investments at balance date has resulted in an unrealized loss of \$4,180,201 (refer Note 8). This had the effect of Reserves falling short of being cash backed by the unrealized loss of \$4,180,201.

The crystallization of the unrealized losses may only 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 STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**17. 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 STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**18. NOTES TO THE STATEMENT OF CASH FLOWS**

**(i) Reconciliation of Cash**

For the purpose of the Cash Flow Statement, 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 Cash Flow Statement is as follows:

	<b>ACTUAL</b>	<b>BUDGET</b>	<b>ACTUAL</b>
	<b>2007/2008</b>	<b>2007/2008</b>	<b>2006/2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and Cash Equivalents - Unrestricted	6,185,312	4,082,151	480,759
Cash and Cash Equivalents - Restricted	4,310,105	0	302,596
<b>Total Cash</b>	<b>10,495,417</b>	<b>4,082,151</b>	<b>783,355</b>

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

Net Result	3,079,202	9,402,043	6,918,175
Depreciation	3,321,261	2,319,456	1,951,833
(Profit)/Loss on sale of assets	(24,241)	(620,592)	(22,524)
Increase/(Decease) in provisions - Redhill	131,728	104,500	119,267
Increase/(Decease) in accrued interest on Loans	(8,597)	(8,597)	(8,082)
Increase/(Decease) in provisions - Staff	25,105	31,083	76,600
Increase/(Decease) in Sundry Creditors	(584,037)	0	2,756,352
Increase/(Decease) in GST	509,308	0	(567,985)
Increase/(Decease) in loss or destruction of assets	0	0	0
(Increase)/Decease in accrued interest earnings	(192,923)	0	0
(Increase)/Decrease in Receivables	(481,487)	0	(462,853)
(Increase)/Decrease in Inventory	(21,596)	0	19,407
(Increase)/Decrease in Prepayments	(5,180)	0	(6,704)
Increase/(Decease) in unrealised gain/loss from change in fair value of investments	4,180,201	0	(62,821)
<b>Net cash from operating activities</b>	<b>9,928,744</b>	<b>11,227,893</b>	<b>10,710,665</b>

**(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 STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**19. EMPLOYEE ENTITLEMENTS**

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

<b>Provision for Employee Entitlements</b> (Refer to Note 15)	<b>ACTUAL</b> <b>2007/2008</b>	<b>ACTUAL</b> <b>2006/2007</b>
	<b>\$</b>	<b>\$</b>
- Current	808,472	782,370
- Non-current	51,216	52,213
<b>Total Employee Entitlements</b>	<b><u>859,688</u></b>	<b><u>834,583</u></b>
	<b>ACTUAL</b> <b>FTE's</b> <b>2007/2008</b>	<b>ACTUAL</b> <b>FTE's</b> <b>2006/2007</b>
<b>Total number of (FTE) employees at end of financial year</b>	<b><u>83</u></b>	<b><u>68</u></b>

**20. COUNCILLORS FEES AND ALLOWANCES**

<b>ACTUAL</b> <b>2007/2008</b>	<b>BUDGET</b> <b>2007/2008</b>	<b>ACTUAL</b> <b>2006/2007</b>
<b>\$</b>	<b>\$</b>	<b>\$</b>

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

Councillors' meeting fees	57,750	57,750	57,251
Chairman's meeting fees	10,500	10,500	10,500
Deputy Councillors' meeting fees	1,260	3,375	420
Chairman's Local Government fee	1,500	1,500	1,500
Deputy Chairman's Local Government fee	375	375	375
	<b><u>71,385</u></b>	<b><u>73,500</u></b>	<b><u>70,046</u></b>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**21. EARNINGS ON INVESTMENTS**

The total earnings from Interest on Investments for the 2007/2008 financial year is made up as follows: -

	<b>ACTUAL 2007/2008</b>	<b>BUDGET 2007/2008</b>	<b>ACTUAL 2006/2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interest on Municipal Cash and Investments	297,906	234,396	319,667
Accrued Interest Earnings	192,923	0	0
Interest on Other Restricted Cash (LSL)	20,533	23,330	15,598
Interest on funds held in Reserves	1,062,170	1,218,612	1,317,481
	<b>1,573,532</b>	<b>1,476,337</b>	<b>1,652,746</b>

**22. FINANCIAL RATIOS**

	<b>ACTUAL 2007/2008</b>	<b>ACTUAL 2006/2007</b>	<b>ACTUAL 2005/2006</b>
Current Ratio	2.72 : 1.00	2.34 : 1.00	3.43 : 1.00
Debt Ratio	10.0%	11.2%	8.3%
Debt Service Ratio	1.3%	1.6%	2.0%
Gross Debt to Revenue Ratio	Not Applicable	1.6%	3.6%
Untied Cash to Trade Creditors Ratio	2.74 : 1.00	2.23 : 1.00	4.57 : 1.00
Gross Debts to Economically Realisable Assets Ratio	Not Applicable	0.7%	1.7%
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 STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

<b>23. ASSETS CLASSIFIED BY TYPE AND LOCAL GOVERNMENT PROGRAM</b>	<b>ACTUAL 2007/2008 \$</b>	<b>ACTUAL 2006/2007 \$</b>
<b>Current Assets</b>		
General Purpose Funding	9,594,808	9,287,544
Governance	483,424	349,767
Community Amenities	18,214,996	16,141,057
Economic Services	571,244	637,879
<b>Land</b>		
Governance	413,888	413,888
Community Amenities	4,617,524	4,617,524
<b>Buildings</b>		
Governance	1,920,520	2,005,587
Community Amenities	420,517	410,865
<b>Structures</b>		
Community Amenities	7,951,441	4,709,238
<b>Plant</b>		
Governance	677,781	625,856
Community Amenities	2,304,169	1,892,240
<b>Equipment</b>		
Governance	244,979	170,804
Community Amenities	53,351	47,159
<b>Furniture and Fittings</b>		
Governance	94,230	67,155
<b>Work In Progress</b>		
Unclassified	354,234	3,709,638
	<u><u>47,917,106</u></u>	<u><u>45,086,201</u></u>

<b>24. DISPOSAL OF ASSETS</b>	<b>BUDGET 2007/2008 \$</b>			<b>ACTUAL 2007/2008 \$</b>		
	<b>Net Book Value</b>	<b>Sale Price</b>	<b>Gain (Loss)</b>	<b>Net Book Value</b>	<b>Sale Price</b>	<b>Gain (Loss)</b>
Plant	1,154,045	1,774,637	620,592	338,087	363,136	25,049
Equipment	0	0	0	809	0	(809)
<b>Total Assets Disposed</b>	<u><u>1,154,045</u></u>	<u><u>1,774,637</u></u>	<u><u>620,592</u></u>	<u><u>338,896</u></u>	<u><u>363,136</u></u>	<u><u>24,240</u></u>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**25. INFORMATION ON BORROWINGS**

(a) Loan Repayments

Particulars	Principal	New	Interest		Principal		Principal	
	1 July 2007		Loans	Repayments 2007/08		Repayments 2007/08		30 June 2008
			Actual	Budget	Actual	Budget	Actual	Budget
<b>Other Property and Services</b>								
Loan No 1 Building Acquisition and Refurbishment	321,804	0	15,235	15,235	321,804	321,804	0	0
	<b>321,804</b>	<b>0</b>	<b>15,235</b>	<b>15,235</b>	<b>321,804</b>	<b>321,804</b>	<b>0</b>	<b>0</b>

(b) New Borrowings

There were no new borrowings during the 2007/08 financial year.

(c) Unspent Loans

There were no unspent loans during the 2007/08 financial year.

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2008**

**26. FINANCIAL RISK MANAGEMENT**

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	10,495,417	783,355	10,495,417	783,355
Receivables	2,897,243	2,222,833	2,897,243	2,222,833
Financial Assets at fair value through profit and loss	15,395,367	23,360,390	15,395,367	23,360,390
	<u>28,788,027</u>	<u>26,366,578</u>	<u>28,788,027</u>	<u>26,366,578</u>
<b>Financial Liabilities</b>				
Payables	2,856,943	2,940,269	2,856,943	2,940,269
Borrowings	0	321,804	0	321,804
	<u>2,856,943</u>	<u>3,262,073</u>	<u>2,856,943</u>	<u>3,262,073</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables - estimated to the carrying value which approximates net market value.
- Borrowings - estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- 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 STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2008**

**26. 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.

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Impact of a 10% movement in price of investments:		
- Equity	1,539,537	2,336,039
- Income Statement	1,539,537	2,336,039
Impact of a 1% movement in interest rates on cash and investments:		
- Equity	258,908	241,437
- Income Statement	258,908	241,437

**(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 doubtful 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:

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Percentage of Other Receivables		
- Current	76.17%	75.39%
- Overdue	23.83%	24.61%
	100.00%	100.00%
	100.00%	100.00%

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2008**

**26. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables  
Borrowings**

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

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

	<b>Due within 1 year \$</b>	<b>Due between 1 &amp; 5 years \$</b>	<b>Due after 5 years \$</b>	<b>Total contractual cash flows \$</b>	<b>Carrying values \$</b>
<b><u>2008</u></b>					
Payables	2,856,943	0	0	2,856,943	2,856,943
Borrowings	0	0	0	0	0
	<u>2,856,943</u>	<u>0</u>	<u>0</u>	<u>2,856,943</u>	<u>2,856,943</u>
<b><u>2007</u></b>					
Payables	2,940,269	0	0	2,940,269	2,940,269
Borrowings	321,804	0	0	337,039	337,039
	<u>3,262,073</u>	<u>0</u>	<u>0</u>	<u>3,277,308</u>	<u>3,277,308</u>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2008**

**26. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Borrowings (Continued)**

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

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

	<u>&lt;1 year</u>	<u>&gt;1&lt;2 years</u>	<u>&gt;2&lt;3 years</u>	<u>&gt;3&lt;4 years</u>	<u>&gt;4&lt;5 years</u>	<u>&gt;5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
<b><u>Year Ended 30 June 2008</u></b>								
<b>Borrowings</b>								
<b>Fixed Rate</b>								
Debentures	0	0	0	0	0	0	0	N/A
Weighted Average Effective Interest Rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
<b><u>Year Ended 30 June 2007</u></b>								
<b>Borrowings</b>								
<b>Fixed Rate</b>								
Debentures	134,874	0	0	0	0	0	134,874	6.28%
Weighted Average Effective Interest Rate	6.28%	N/A	N/A	N/A	N/A	N/A	N/A	

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

<b>27. COMMITMENTS FOR CAPITAL EXPENDITURE</b>	<b>ACTUAL</b>	<b>ACTUAL</b>
	<b>2007/2008</b>	<b>2006/2007</b>
	<b>\$</b>	<b>\$</b>
Commitments for the acquisition of assets contracted for at the reporting date but not recognised as liabilities, payable:		
- not longer that one year	196,943	1,466,940
<b>Total Capital Commitments</b>	<u><b>196,943</b></u>	<u><b>1,466,940</b></u>

<b>28. AUDITORS' REMUNERATION</b>	<b>ACTUAL</b>	<b>ACTUAL</b>
	<b>2007/2008</b>	<b>2006/2007</b>
	<b>\$</b>	<b>\$</b>
<b>Auditing and Financial Reporting</b>	<u><b>4,100</b></u>	<u><b>3,800</b></u>

**29. CONTINGENT LIABILITIES**

Nil

**30. 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:

<b>SALARY RANGE</b>	<b>ACTUAL</b>	<b>ACTUAL</b>
<b>\$</b>	<b>2007/2008</b>	<b>2006/2007</b>
100,000 – 109,999	1	1
110,000 – 119,999	2	1
120,000 – 129,999	0	2
130,000 – 139,999	1	0
160,000 – 169,999	0	1
170,000 – 179,999	1	0

**31. 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 2008**



Certified Practising Accountants

PARTNERS  
Anthony Macri FCPA  
Domenic Macri CPA  
Connie Macri CA

## **INDEPENDENT AUDIT REPORT**

### **TO: MEMBERS OF EASTERN METROPOLITAN REGIONAL COUNCIL**

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

#### **The Responsibility of the Council for the Financial Report**

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

#### **Auditor's Responsibility**

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

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

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

#### **Independence**

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



Auditor's Opinion

In our opinion, the financial report of the 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 2008 and of its financial performance for the year ended on that date; and
- (ii) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards (including the Australian Accounting Interpretations).

Statutory Compliance

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

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

*Amans*  
\_\_\_\_\_  
A MACRI  
PARTNER

PERTH  
DATED THIS 9<sup>TH</sup> DAY OF SEPTEMBER 2008.





**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 2008**

Thursday                      9 October (if required)                      at                      EMRC Administration Office

The Executive Manager Corporate Services advised that the 9 October (if required) meeting may not be required but the Committee would be kept informed.

**17 DECLARATION OF CLOSURE OF MEETING**

There being no further business the meeting was closed at 6.15pm.