

MINDARIE REGIONAL COUNCIL



Annual Report 2012

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Chairman's Report



It has been another challenging year for the Mindarie Regional Council (MRC) and indeed a year of significant change. The challenges included the still unresolved issue of the withdrawal of the City of Stirling from the MRC, the looming Carbon Price and its possible impacts, an Organisational Review of the MRC business and major changes to the MRC administrative leadership group.

Starting at the top of the MRC structure, long standing Chief Executive Officer (CEO), Kevin Poynton, moved on after being at the helm for 13 years and overseeing the development of the Resource Recovery Facility (RRF). Then for six months whilst seeking a new CEO stand in CEO John Bonker guided the business. The appointment of a new CEO resulted in Brian Callander taking up his position early in January 2012. In Brian the MRC has welcomed a fresh new approach which has been well received by the Council.

The Chief Financial Officer Kalwant Dillhon also left and as part of the restructured business a new position Director of Corporate Services was established. This position being filled by Gunther Hoppe whose arrival made an immediate impact on preparing the 2012/2013 Budget and monitoring the performance of the MRC against its 2011/2012 Budget.

This year also saw two new councillors join the MRC. Cr Alannah MacTiernan from the City of Vincent and Cr Simon Withers from the Town of Cambridge replacing long term Councillors Steed Farrell (City of Vincent) and Corinne MacRae (Town of Cambridge). Both mayors of their respective councils, these appointments to the MRC indicated their strong interest in, and the importance they place on, waste management.

Looking at some of the challenges that faced the MRC business this financial year, the increasing cost of waste disposal and diversion was probably the most significant. It was the trigger for the City of Stirling to make its withdrawal moves, for the suspension of the Council's Strategic Plan, the MRC's Organisational Review and lead to more conservative budgets being prepared and delivered.

The issue of the City of Stirling's withdrawal remains and its impact is still largely unknown.

For much of the year the impending Carbon Pricing Scheme created uncertainty surrounding the level of liability the MRC would face. Fortunately works already in train like the lining of landfill, the land fill gas capture scheme and the RRF insulated the business from the full extent of the Carbon Price.

On a positive note though, the two pillars of the MRC's business, the Tamala Park Waste facility and the RRF both continued to function well. The Tamala Park landfill operations moved into Phase III of Stage 2, the largest and last landfill hole to be excavated on the

Chairman's Report

Tamala Park site, so there is a definite look to the future by the Council. The RRF is operating well demonstrating that it is capable of processing 100,000 tonnes of waste per year and is meeting Council's expectations in terms of diversion rates and compost produced. The MRC remains a strong business.

The education team was acknowledged during the year for the excellent work it is doing in promoting the Reduce, Reuse, Recycle and Dispose Wisely waste message to the community by winning the Australian Business Award 2011 for the best education product for their tours program. Peg Davies, our Education Officer also won the WA Waste Authority's Waste Champion 2011 award.

At the State level the Waste Authority released its long awaited strategy, 'Western Australian Waste Strategy - Creating the Right Environment'.

This document gives some guidance to the State's thinking and the MRC will be using it to guide future planning.

Finally, I would like to thank all the Elected Members of the Council for their commitment and effort over the year and their deliberations in moving the MRC forward.

I would also like to thank all persons involved in the MRC's operations. It has been a difficult year, but once again the efforts of all are to be commended.

I am delighted to present the MRC's Annual Report for 2012.



Councillor Russ Fishwick
Chairman





CEO's Report



This is my first report as the CEO of the MRC and it gives me great pleasure to provide you with an overview of the challenges ahead for the MRC based on my observations since commencing in January 2012.

The main challenge the MRC is facing is to demonstrate to the member councils that it can provide a cost effective, efficient service without impacting on their resources. To meet this challenge the MRC needs to be able to demonstrate competency and alignment at all levels of the organisation. This will be achieved through the setting of a new strategic direction as we develop a Strategic Plan (Community Plan) in consultation with our shareholders and stakeholders.

Strategic Planning (Community Plan) 2012 - 2032

The creation of a new Strategic Plan has commenced, where we are in the initial phases of the drafting process (the 'Inform' and 'Input' stages - refer table below).

| INFORM | INPUT | FORMALISE | SOCIALISE | FINALISE |
|---|--|--|--|--------------------------------------|
| MRC presents high level information to stakeholders | MRC presents more detailed options and requests feedback | Strategy and supporting plans presented for discussion | Draft final Strategic plan distributed for comment | Strategic plan finalised and adopted |
| September/October 2012 | October/November 2012 | February/March 2013 | April 2013 | May 2013 |

The Plan, once completed, will guide the MRC in setting its structure, operations, finances and projects to reach its optimum performance in achieving its goals. The current 20 year Financial Plan will be updated, and an Asset Management Plan and a Workforce Plan will be developed to inform the Business Plans and Budgets as we progressively meet the challenges of the Plan's objectives.

The objectives of the Plan will not be achieved without resetting the organisation's structure and culture.



Structural and Cultural Reform

The organisational structure has been reviewed and approval gained from the Council to change it from a department based structure, to a more business focussed structure which has three separate business units being The Chief Executive Officer, Operations and Corporate Services.

A cultural inventory of the employees was undertaken to determine the impact the current culture was having on the overall performance of the organisation.

CEO's Report

The results of the inventory highlighted a number of behaviours which are preventing the organisation from performing at the highest level. The inventory was completed in April/May and I am pleased to acknowledge that there has been significant improvement in the culture since the survey, resulting in improvements in both the quality of the operations and the effectiveness of our processes.

Ongoing Governance Matters

The MRC has a number of outstanding governance related issues to resolve. These issues will have a significant impact on the organisation, and as such, a significant amount of my time has been spent on working towards having them settled.

WITHDRAWAL OF THE CITY OF STIRLING

The City of Stirling has advised the Minister for Local Government of its intention to withdraw from the MRC. Both the City of Stirling and the MRC have, in good faith, worked towards facilitating the withdrawal. Unfortunately, the parties could not reach agreement on the settlement and have agreed to submit separate submissions to the Minister for Local Government outlining their respective positions. The Minister, in accordance with the Local Government Act, may make recommendations to the Governor who is empowered to facilitate the withdrawal by order.

NEW ESTABLISHMENT AGREEMENT

The MRC and member councils have agreed that the current Constitution limits the ability of the MRC to provide the range of appropriate waste solutions required by the member councils.

A new Establishment Agreement to replace the current Constitution has all but been finalised, with the six member councils being aligned to the principles embodied in the documents, apart from a few minor elements that require tidy up when a decision on the withdrawal of the City of Stirling has been made by the Governor of Western Australia.

METROPOLITAN LOCAL GOVERNMENT REVIEW

The Minister for Local Government has initiated a Review of Metropolitan Local Governments with the aim of rationalisation. The final draft of the Review was presented to the State Government which has released it for further consultation until 5 April 2013. The Review makes a number of broad ranging recommendations, one of which would see the dissolution of Regional Councils. The MRC will consider the Review in detail and, if appropriate, provide a full response to the recommendations as they relate to Regional Councils.

I look forward to reporting back to you in the coming years on our successes in each of these areas.

Governance

Mindarie Regional Councillors

Council – 1 July 2011 to 30 June 2012



Simon Withers



Rob Butler



Bill Stewart



David Boothman



John Bissett



Jason Robbins



Alannah MacTiernan



Laura Gray



Sharon Cooke



Russ Fishwick



Dot Newton



Kerry Hollywood

Chairman Cr Russ Fishwick

Deputy Chairman Cr John Bissett (November 2011 - June 2012)

Cr Laura Gray (July 2011 - October 2011)

Delegates

City of Joondalup Cr Russ Fishwick, Cr Kerry Hollywood

City of Perth Cr Rob Butler

City of Stirling Cr David Boothman, Cr Sharon Cooke,
Cr Jason Robbins, Cr Bill Stewart

City of Wanneroo Cr Laura Gray JP, Cr Dot Newton JP

Town of Cambridge Cr Simon Withers

Town of Victoria Park Cr John Bissett

City of Vincent Cr Alannah MacTiernan

Senior Officers

Chief Executive Officer Brian Callander

Director Corporate Services Gunther Hoppe

Operations Manager Mike Tolson

Sustainability & Waste Education Manager Geoff Atkinson

Governance

Human Resources

The MRC has a total of 36.9 full time equivalent staff (comprising of 34 full time and 5 part time staff). Staff numbers were reduced over the year due to an Organisational Review which was completed in March 2012.



This year has seen a greater turnover in staff than in previous years both in Administration and Operations whereby we have welcomed a new CEO in January 2012 and a Director of Corporate Services in March 2012.

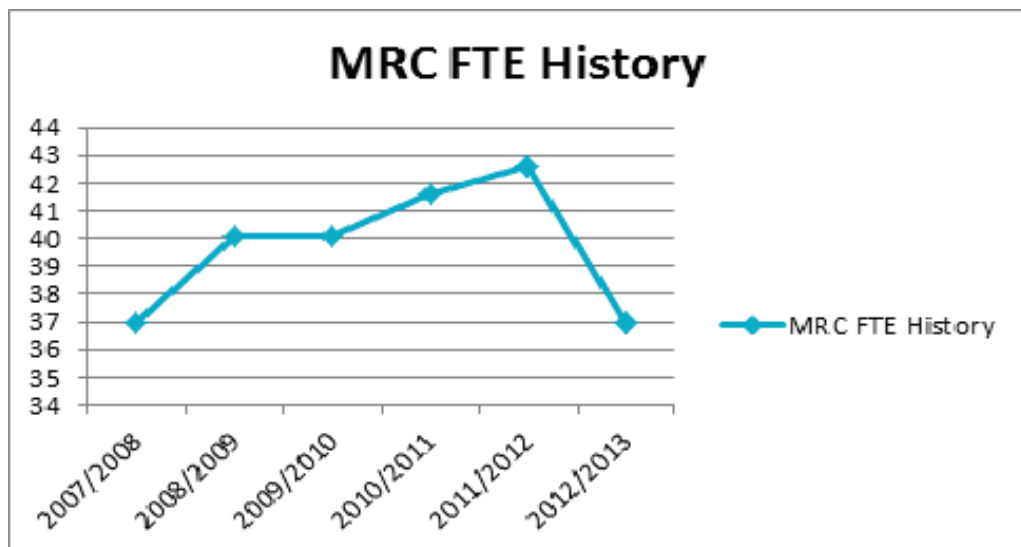
Outside staff turnover has been influenced by a reduction in overtime hours being implemented in January 2012.



The MRC Enterprise Agreement is in its final year and staff will be entering into new negotiations beginning January 2013 in preparation for a new agreement which is due in November 2013.



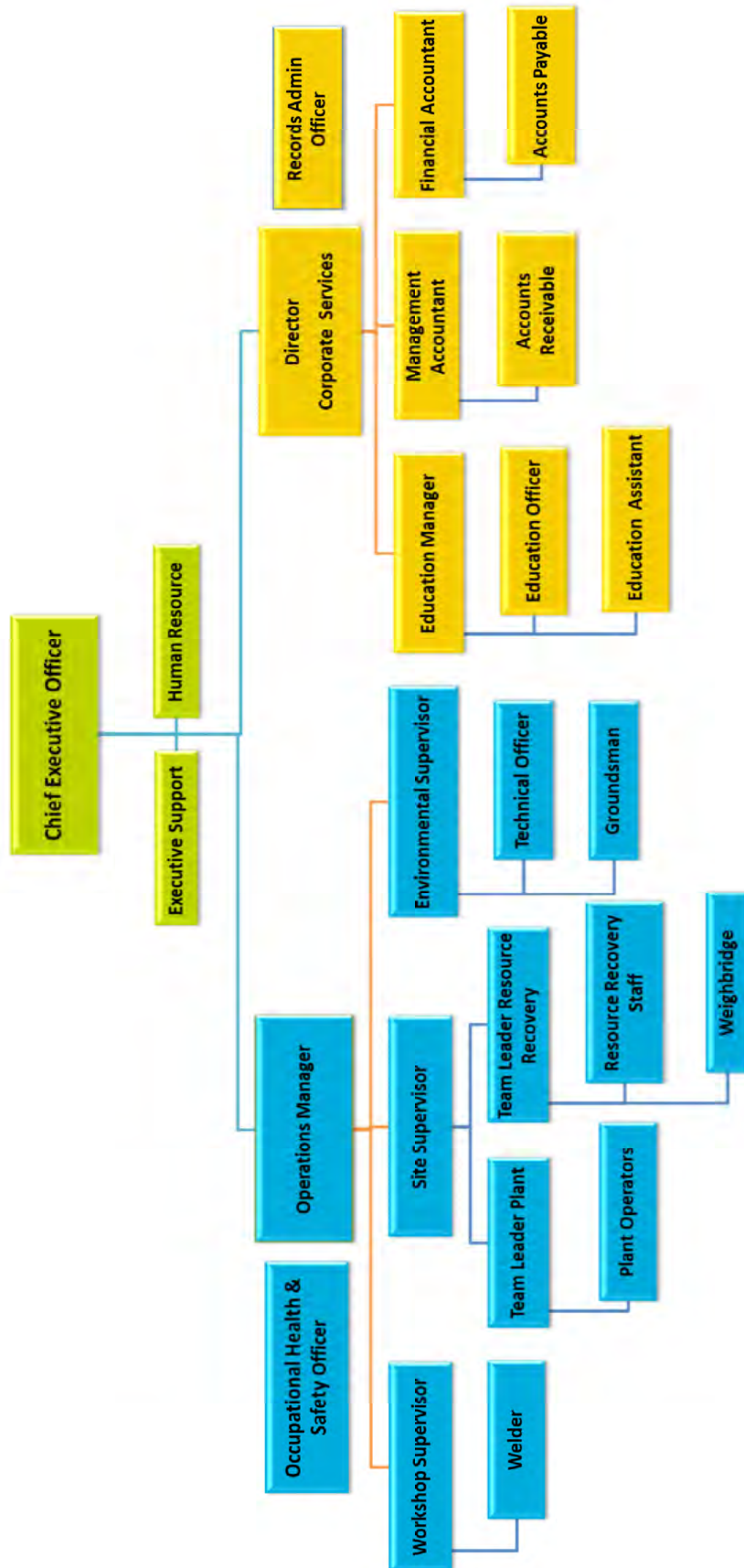
MRC FTE History





Governance

After the Organisational Review the MRC staff were employed in accordance with the following structure:



Operations

The MRC operations include:

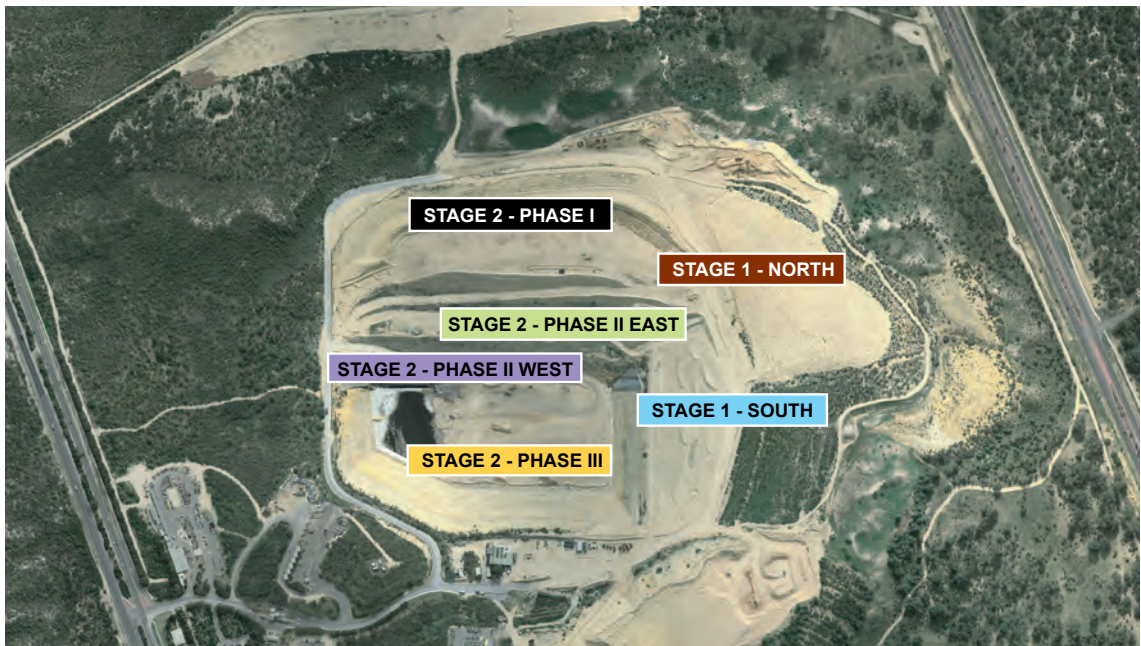
- Landfill Operations
- Transfer Station
- Recycling Centre
- Landfill Gas Extraction
- Resource Recovery Facility

Across these operations sit the environmental monitoring and the Occupational Health and Safety (OHS) procedures.

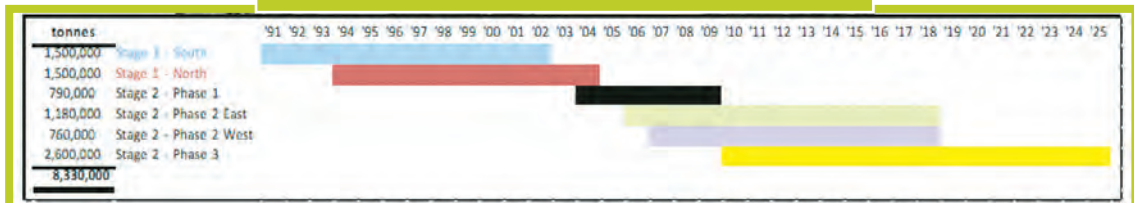
Landfill Operations

During this year the filling of Stage 2 Phase II to a height of 59 metres above sea level was completed. Minesite Construction Services were once again engaged via public tender to install a capping liner then cover the liner with a 2 metre layer of limestone gained from onsite stockpiles. This capping project was completed in September 2012. Post capping Phase II will be

revegetated with tube stock and will be seeded with local varieties of flora. 189,984 tonnes of waste was received at Tamala Park for 2011/2012, a reduction of 30% from the previous year. There was a slight increase in the volume of waste received from the RRF over the previous year. During January 2012, in preparation to commence to fill Stage 2 Phase III, approximately 1 million litres of storm water needed to be pumped out of Phase III and deposition of waste in Phase III commenced in February 2012 with the initial 2 metre layer of waste placed as rapidly as possible to protect the base liner from potential damage. The annual airspace calculation conducted to estimate the life of the landfill revealed, based on current tonnages, that Tamala Park will now reach capacity by 2025.



TONNES TAKEN AT EACH STAGE



Operations

Transfer Station

This past year has seen a continued downturn in business at the Transfer Station by casual users of the Tamala



Park facility. This year's waste throughput was 12,323 tonnes deposited from 62,660 vehicles, a reduction of 17.5% and 6.8% respectively. However in contrast to the previous year mattresses to offsite recycling increased by 30% to 205 tonnes. This along with other recycling initiatives all contribute to the saving of airspace in the landfill.

Recycling Centre

The overall revenue from the Recycling Centre dropped from \$376,500 to \$334,233 this year mainly attributed to a

change in operating hours. In line with Council's budget decision to rationalise overtime for the MRC outside staff, the public opening hours of the Recycling Centre were reduced and went into effect from January 2012. However due to public demand, this decision was reviewed and as a result, the operating hours were partially extended. The new times included the drop off of items at the Recycling Centre from 8am to 4.45pm, 7 days a week and the Shop being open for purchases Friday to Monday during the same hours.

The volume of refrigerators and aircons was down by comparison to the previous year to 1,858 with 387.6 kilograms of refrigerant recovered.

Approximately 30 of the degassed fridges were converted by MRC staff to become worm farm vessels, these being distributed to local schools to assist with their recycling programs. The volume of problematic wastes i.e. paint, was drastically down by 64% to 43 tonnes, Household Hazardous waste dropped by 50% to 36 tonnes, however E-waste collections remained steady at 200 + tonnes for the year.



Operations

Landfill Gas Extraction

During the year, the Tamala Park landfill gas extraction system was expanded into a newly capped portion of the landfill (Stage 2 Phase I). In addition, an older 0.65MW generator was replaced with a new 1.0MW generator, bringing the total green energy production on site up to 5.0MW. That is sufficient electricity to power all of the houses in Kinross (neighbouring residential suburb to the landfill site).



Since 2003 Landfill Gas & Power has owned and operated the landfill gas extraction and power generation system at Tamala Park under contract to the MRC.

In 2011 this contract expired and was extended for a further 3 years.

The 3 year extension ensures that landfill gas on site will continue to be appropriately managed while the MRC assesses the impact of the new Federal Government Carbon Trading Scheme and sets up a new long term contract for landfill gas management.



Operations

Resource Recovery Facility

The 2011/2012 period was the third year of operations of the RRF and the first year that the facility achieved its contracted 100,000 tonnes of production. The actual throughput was 102,944 tonnes, in comparison to the second contract year of 97,356 tonnes. The facility has clearly demonstrated that it can achieve the necessary 100,000 tonnes per year production over a sustained period.

For the year, the RRF diverted 52,467 tonnes of organic waste from landfill and produced 29,444 tonnes of market quality soil conditioner. Consequently, there will be a reduction in the possible production of landfill gas at Tamala Park (due to organic waste diversion) and an increase in organic carbon being put back onto farmlands in the form of organic soil conditioner ("compost" product). Although the operation of the RRF costs typically twice that of landfill, the resultant environmental benefits are significant, in addition, today's waste is

being processed today and not being left for future generations.

Odour management has always been the main community concern since the facility was developed. After 3 years of operations, there have only been 3 odour complaints (or 4% of total complaints) that have been attributed to facility malfunction. There have been a total of 72 odour complaints received in 3 years. Of these 52 (or 72%) have been associated with woody biofilter odour emanating from the facility odour management system. This is the normal operating odour of the facility which has been predominantly detected at the Wanneroo Golf Club. A further 17 (or 24%) odour complaints have been received that are attributed to external sources, not associated with the RRF.

The RRF continues to divert significant quantities of waste from landfill, achieving a net environmental benefit to the community.



Operations

Environmental Management

Managing the environmental impact at the MRC's Tamala Park facility is a fundamental part of its daily operations. Over the last year the MRC's Environmental Management and Monitoring Program (EMMP) was recertified under ISO 14001 Environmental Management Systems. This plan provides operational procedures to reduce and manage our impact on the environment. During the year, weekly environmental inspections ensure that all MRC Department of Environment and Conservation (DEC) license conditions were complied with.



Litter pickup was a priority during 2011/2012 as Stage 2 Phase I was now capped. Areas next to the landfill and the bushland north of the landfill were targeted for litter pick up.

Controlling weeds such as Castor Oil, Apple of Sodom, Patterson Curse and Lavender was a main focus of the bushland management during 2011/2012.

Planting of seedlings on the northern stockpile and north eastern corner were focused on. National Tree Planting Day activities were also focussed on this corner, with Carnaby Cookatoo foraging food and shelter species selected. Landfill Gas and Power along with Earthcarers planted out 500 seedlings into this Aboriginal significant site. Phytophthora areas were re-inspected in the summer of 2011 showing no signs of it migrating from the point source. Infected vegetation was re-treated to maintain its health.



Operations

Environmental Management (cont)

The success of the millipede barrier continues. This year we extended the eastern barrier by 100m and placed additional solar light water traps to compensate for the Connolly Drive roundabout's lights. This March the MRC became a surveillance site for the European Wasps. During the year the MRC passed a DEC license, two ISO 14001, Dangerous Good License and internal audits, with minor recommendations to improve our strength in protecting the environment. As part of our environmental service to the community, the MRC recovered 387 kg of ozone depleting substances from 2000+ fridges and air conditioners. This is equivalent to 41 tonnes of carbon dioxide.

The MRC's waste water treatment plant (processes the wash down water from council trucks) underwent its usual summer and winter water analysis, to ensure that the system is efficiently

stripping the nutrients and chemicals from the water through the Vetiver and Ecomax systems. To reduce dust emissions on site, DUSTEX was applied to operational areas again this year. We have found this to be an effective way to reduce dust plumes and groundwater use.

One year on, and the plants which form the phyto-cap on Stage 2 Phase I are managing their new environment well. Good winter rains and back up summer rains have aided the germination of specifically site chosen local native species. Stage 2 Phase I is a high exposure area to the ocean environmental elements so special attention was given to this area.

The 2011/2012 winter rains, while not as good as 2010/2011 winter rains, produced new germinations from the seed bank that was broadcasted the year before. On inspection of the vegetated cap, some plants have produced seeds which will start the process of self-repair of the area and sustaining vegetation on the cap.





Operations

Occupational Health and Safety

The MRC has continued to implement best practise Occupational Health and Safety Systems. Educating the MRC staff on OHS has seen a reduction in OHS incidents (50 in 2010/2011 to 32 in 2011/2012) and an increase in hazard identification (0 in 2010/2011 to 14 in 2011/2012). This has resulted in a safer site and an improved safety culture.



The year also saw the continuation of specific training in the workplace, such as First Aid and Hazardous Substances. Emergency response and evacuation exercises were conducted across the site with very pleasing results.



The MRC became part of the St John Community First Responder program which is a program that assists the community with MRC staff being able to attend a medical emergency that requires a defibrillator in the near vicinity of Tamala Park. All MRC staff are First Aid trained and well equipped with the site having three defibrillators as well as first aid oxygen.



Corporate Services

The MRC's Corporate Services looks after the non-operations side of the business.

This includes:

- Customer service
- Information management
- Finance
- Education and community engagement

Customer service

Customer service continues to be a key area of focus for our all staff, whereby we strive to provide a professional, safe and efficient service to all our customers.

To continually improve the level of service to customers, the MRC is working towards finalising a revised set of customer service standards which will be rolled to all staff during the course of 2012/2013.



Where customer complaints are received, they typically relate to misunderstandings about what is accepted at the Tamala Park landfill site. The MRC endeavours to deal with all complaints in an expedient manner and we are working with our member councils to ensure that their rate payers are provided with the correct information about our services.

Information management

The MRC continues to place a high level of emphasis on good information management as an important enabler for our organisation and as a key area of compliance.

Information management encompasses the systems and processes which support good records management, but extends to include the provision of accurate, decision-useful information to stakeholders in a timely manner.



At the MRC our paper and electronic records are managed throughout their lifecycle using TRIM, an electronic document records management system (EDRMS). The version of TRIM in use by the MRC was updated during the course of the year.

Regular training continues to be provided to both staff and Councillors with respect to the relevant information management policies and statutory requirements governing the retention of and access to information.

A total of 14 staff participated in a record keeping training session during 2011/2012, to ensure they are aware of their record keeping roles and responsibilities. Training is compulsory

Corporate Services

Information Management (cont)

for all new staff that will create, collect or use records during their employment. The record keeping training sessions address the use of the EDRMS, record keeping responsibilities, legislative framework, operational procedures, and retention/disposal requirements.

In accordance with the State Records Act 2000, the MRC record keeping practices are governed by its Record Keeping Plan which was approved by the State Records Office of Western Australia in 2011. This plan is the primary means of providing evidence of compliance with current legislation in Western Australia and of the implementation of best practice record keeping processes with the organisation.



Measurements of corporate record keeping performance indicators during the financial year are compared to last year's figures in the table below.

| Performance Indicator | 2010/2011 | 2011/2012 |
|--|-----------|-----------|
| Number of new files created | 40 | 82 |
| Number of documents registered | 9526 | 6667 |
| Number of Freedom of Information Applications Received | 1 | 1 |
| Response time of Freedom of Information Applications (average number days) | 22 | 3 |
| | | |

Finance

OVERVIEW

The MRC continues to operate in accordance with the financial policies, procedures and precepts that have been previously approved by the Council.



The 2011/2012 financial year has not been without its challenges. Structural changes within the business resulted in a change in senior management in the middle of the year which, coupled with a tight operating budget and reduced tonnages, has required careful financial and operational management of the organisation.

The audit of the financial statements for the year ended 30 June 2012 has been completed and evidences that the MRC continues to operate in a viable and responsible manner and that it is well-placed to meet the challenges of the coming years.

The budget for 2012/2013 was approved by Council at its meeting in July 2012. Indicative first quarter performance against this budget indicates that tonnes received by the MRC are likely to be less than was anticipated when the budget was set which will require ongoing careful management during the course of the year.

Corporate Services

Finance (cont)

CARBON PRICE

As a result of Federal legislation, the Carbon Price Mechanism came into effect from 1 July 2012. The MRC's Tamala Park landfill facility is classified as a liable carbon emitter under the scheme and as a result has a liability for any carbon dioxide or carbon dioxide equivalents that it emits.

The Carbon Price only applies to emissions generated from 1 July 2012 and the gate fee for 2012/2013 includes a component (\$7.40 per tonne) which will cover the lifetime emissions of each tonne of waste landfilled.

Landfill sites face the unique challenge of needing to collect sufficient fees on the day the waste is delivered to cover a potential 40 year future carbon emissions liability. By nature, this requires detailed modelling and the use of significant assumptions.

The MRC is confident that adequate systems and processes have been put in place to deal with this.

Education and Community Engagement

Operating within a conservative budget the focus for 2011/2012 was on activities that resulted in direct engagement with the community. These focus activities were tours of the MRC facilities, use of the Roaming Recycler Waste Education Display and Earth Carers.

TOURS

The tours program involves taking groups through the MRC facilities, both Tamala Park and the RRF.

During 2011/2012, 147 tours were conducted for 3,159 people. Of these 55 tour groups went to the RRF with the others just taking in Tamala Park. School groups made up 63 of these tours.



The MRC takes great pride in the quality of its tours, not just showing visitors around the facilities but in reconnecting people to their waste, showing them where it goes, and delivering the holistic Reduce, Reuse, Recycle and Dispose Wisely message.

The high standard and the effort that goes into these tours was recognised with the winning of the 2011 Australian Business Award – Best Education Product.





Corporate Services

Education and Community Engagement (cont)

ROAMING RECYCLER DISPLAY

The Roaming Recycler Waste Education Display was used to visit fetes, fairs, community events and schools. In 2011/2012 the Roaming Recycler Display went to 44 events over 55 days. This has been shown to be an effective way of delivering waste



messages to the community. People attending fun events suddenly are exposed to our waste messages through the many children's games and activities, along with the display material and the conversation with MRC personnel staffing the display.



In addition 41 school and community visits were made often supported with parts of the Roaming Recycler display.

EARTH CARERS

The third major focus area was that of Earth Carers, with the MRC now having trained over 200 people.



In 2011/2012, 40 new Earth Carers were introduced to the idea of 'living with less waste'.

In addition 22 of the MRC Earth Carers took part in an Advanced Earth Carers course, where they revised and updated their knowledge and were given additional information about the waste industry. They were also required to produce a waste reducing project as part of the course.



Earth Carer Kids – Resource Rescuers continued to be developed during the year with three projects being undertaken by groups of children.

Corporate Services

Education and Community Engagement (cont)

COMMUNITY ENGAGEMENT

All these focus areas have a Reduce, Reuse, Recycle and Dispose Wisely message.



This style of person-to-person community education has been shown to be an effective vehicle for communicating key waste messages. People who are passionate about the environment are quick to communicate this passion to their networks who in turn educate their networks.

This creates a 'multiplier' effect which is likely to be more effective than conventional mass media advertising campaigns.

As an example of how this works:

'In August a student teacher came to tour Tamala Park as part of her university assignments. She got enthused about recycling and so signed up to for the August/September Earth Carers course to learn more.

In November she brought her Year One class of 26 students and 2 adults for a tour of Tamala Park.

Within half an hour of that tour finishing, the same school booked in two more classes - 52 students and 5 adults. Whilst on a tour, one of the teacher assistants also planned to bring her own community group of 20 adults back to Tamala Park.'



So, communicating the Reduce, Reuse, Recycle and Dispose Wisely messages to just one person in this example resulted in 105 people being more knowledgeable and waste wise. This of course doesn't include the networks that each of these people then talk to, making this a very effective way of sending a message.



The MRC continued to support a number of initiatives to get the community involved with the 'Reduce, Reuse, Recycle and Dispose Wisely' ethos.

Corporate Services

Education and Community Engagement (cont)

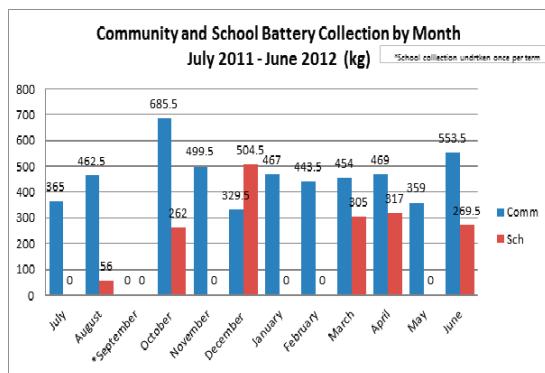
CEAG

The Community Engagement Advisory Group (CEAG) was formed to ensure that the community was involved with the RRF project from the planning phase through to its ongoing operation. This group continued to meet regularly throughout the year and plays an important ongoing role in linking the community into the MRC's operations.

DRY CELL BATTERY RECYCLING

One such program is the Dry Cell Battery Recycling Program, whereby special bins are located throughout the community and in schools. Batteries are small and are easily just thrown into the bin but with a bit of thought, and if taken to the special battery collection bins, these batteries can be recycled.

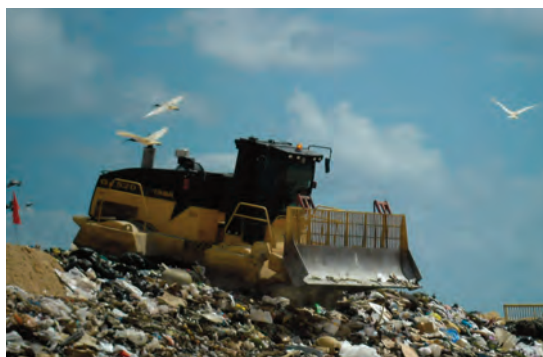
11 additional battery bins went to schools in 2011/2012.



WASTE DIVERSION REPORT CARD

With the assistance of the Member Councils' waste personnel a Waste Diversion Report Card was produced for each quarter. This report collected data about household waste collected in the Region to calculate statistics on the diversion of waste from landfill. Looking at all bins collected, bulk verge collections, resident tipping at Tamala Park and any other Municipal Solid Waste collected, we calculated the total waste produced in the Region. By then comparing this with the amount of waste that goes to landfill (Tamala Park or other) recycling rates and a diversion rate is calculated. These reports showed that across the Region a diversion rate of between 34% and 44% was achieved each quarter. The best performers according to waste diversion percentages are the RRF with a diversion rate of between 47% and 53% and the 'yellow top' recycling bins with 59% to 76% each quarter.

This information will be used to target community disposal habits with the aim of reducing the amount of waste entering landfill.





Review of Financial Performance for the Year

The financial statements included in this report reflect the results and financial position of the MRC for the year ended 30 June 2012 and should be read in conjunction with the accounting policies and precepts adopted by the MRC.

Total comprehensive income

The total comprehensive income for the year ended 30 June 2012 (the Net Result) was a loss of \$445,001 (2011: \$426,842), and it:

- increased by \$18,159 (4%) compared with the previous year
- decreased by \$158,748 (26%) compared to the budgeted loss for the year.

The loss for the year is attributable to a number of factors, including higher than anticipated tonnes being processed through the RRF and lower than anticipated non-member tonnes being delivered to the Tamala Park landfill site during the course of the year.

Total operating revenues

The total operating income of \$39,395,164 has decreased by \$2,613,624 (6%) compared with the previous year and is materially in line with the budget for 2012.

The decrease in operating income compared to the previous year was mainly due to a drop in tonnes received at the Tamala Park landfill site. This has been partially offset by higher than anticipated gas generation income, which has increased by \$292,302 over what was earned in 2010/2011.

During the year, the City of Stirling (Stirling) ceased delivering its waste to the MRC. The revenue loss arising from the loss of approximately 70,000 tonnes was only partially offset by an increase in the member gate fee rates, which contributed in part to the budgeted loss for the year.

Variations in gas generation income are largely as a result of timing issues with respect to when the energy is sold and the Renewable Energy Certificates are generated. This is primarily driven by fluctuations in energy market prices.

Operating expenses

The total operating expenditures for the year decreased by \$2,539,924 (6%) compared to the previous year and decreased by \$186,272 (0%) compared against the budget for 2011/2012.

The decrease in operating expenditures compared to the prior year was mainly due to the following:

- decrease in employee costs – (\$599,477)

During the 2011/2012 financial year, a far reaching organisational review of the MRC's operations was undertaken. As a result, a number of structural changes were initiated at the MRC which have resulted in an overall decrease in the number of staff employed and the level of overtime being worked, and as a consequence, the associated employee costs have reduced.

Review of Financial Performance for the Year

Other operating expenses (continued)

- decrease in State landfill levy charges (DEP Levy) – (\$2,054,160)

The decrease in the levy is directly linked to the tonnes of waste landfilled during the year which decreased by 80,986 tonnes from 270,970 tonnes in 2010/2011 to 189,984 tonnes in 2011/2012.

- decrease in amortisation charges – (\$672,683)

Amortisation charges reflect the costs incurred in establishing the Tamala Park landfill site. These charges are expensed as waste is landfilled during the year. The amortisation charges for the year have decreased in line with the tonnes being landfilled as discussed under the landfill levy above.

- broad ranging cost reductions

The organisational review referred to under the employee costs paragraph above also yielded incremental cost saving across all areas of the MRC, which accounts for the remainder of the savings achieved.

- increase in materials and contract costs – (\$1,351,504)

The savings achieved above are offset to a degree by an increase in the costs associated with waste processed at the RRF. Approximately 7,860 more tonnes of waste were processed at the RRF in 2011/2012 as compared to 2010/2011. This increased tonnage, coupled with contractual increases in the RRF gate fee, has resulted in the increased materials and contract costs.

Disposal Fees and Charges

Disposal fees and charges for the year ended 30 June 2012 are shown in the table below, as dollars per tonne, unless otherwise indicated.

| Description | 2012 Fee (incl GST) |
|--|---|
| 1. Member local governments - General waste (processable and non-processable) | \$135.30 |
| 2. (a) General entry (general waste) - Minimum charge for entry to site | \$154.00 \$12.00 |
| (b) Liquid waste, swill or semi liquid waste | not accepted |
| (c) In the event of weighbridge unavailability due to power failure, maintenance or repairs, the following fees shall apply to (a) above: All vehicles carrying non-compacted waste - per wheel of truck or trailer (larger than 1.8m x 1.2m) - trailer (1.8m x 1.2m or less) All vehicles carrying compacted waste - all vehicles per wheel (truck or trailer) | \$40.00 \$40.00 \$80.00 |
| (d) Asbestos – whole loads per tonne (inclusive of burial fee) | \$200.00 |
| (e) Unweighed loads (drive-aways) | \$60.00 |
| 3. Special burials (supervised) At the discretion of the site controller (in addition to the tonnage rates) | \$200.00 |
| 4. Controlled waste per tonne | \$200.00 |
| 5. Special commercial items In lieu of items 1 to 4 above, the following apply: | |
| (a) Motor bodies and old machinery (each item) | \$25.00 |
| (b) Animal carcasses - Small domestic animals - Large animals (sheep and cattle, etc) | \$8.00 \$20.00 |
| (c) Car tyres only (maximum disposal of 4) Per tonne | \$18.00 \$300.00 |
| (d) Safe sharp containers 7 litres or less | \$13.00 |

Disposal Fees and Charges

| Description | 2012 Fee (incl GST) |
|--|--|
| Over 7 litres (per litre) | \$1.50 |
| (e) Light weight bulk material less than 300kg per cubic metre (per m ³) | \$60.00 |
| 6. Replacement of lost/damaged driver control station cards | \$50.00 |
| 7. Infringement agency costs | |
| (a) Debt collection fee | Debt collection agency's costs + 20% admin fee |
| (b) Dishonoured cheque fee | \$20.00 |

Waste Delivered Analysed by Source

Waste received by the MRC is analysed by major source in the table below for the current and previous years.

| Source | Tonnes received by the MRC 2012 | Tonnes diverted to the RRF | Tonnes landfilled at Tamala Park | Tonnes received by the MRC 2011 | Variance |
|--------------------------|---------------------------------|----------------------------|----------------------------------|---------------------------------|-----------------|
| Town of Cambridge | 9,994 | 2,770 | 7,224 | 10,244 | (250) |
| City of Joondalup | 64,218 | 44,492 | 19,726 | 63,613 | 605 |
| City of Perth | 14,543 | - | 14,543 | 14,140 | 403 |
| City of Stirling | 1,260 | - | 1,260 | 70,617 | (69,357) |
| Town of Victoria Park | 13,077 | 6,078 | 6,999 | 12,391 | 686 |
| City of Vincent | 14,137 | 7,896 | 6,241 | 13,646 | 491 |
| City of Wanneroo | 67,605 | 43,977 | 23,628 | 64,908 | 2,697 |
| Total members | 184,834 | 105,213 | 79,621 | 249,559 | (64,725) |
| City of South Perth | 12 | - | 12 | 29 | (17) |
| City of Stirling | 2,348 | - | 2,348 | - | 2,348 |
| Other casuals | 49,173 | - | 49,173 | 56,034 | (6,861) |
| Total casuals | 51,533 | - | 51,533 | 56,063 | (4,530) |
| RRF residue* | 45,414 | - | 45,414 | 44,489 | 925 |
| City of Stirling (bales) | - | - | - | 2,858 | (2,858) |
| City of Wanneroo | 13,416 | - | 13,416 | 15,354 | (1,938) |
| Total other | 58,830 | - | 58,830 | 62,701 | (3,871) |
| TOTAL | 295,197 | 105,213 | 189,984 | 368,323 | (73,126) |

* Not considered as part of the external tonnes received by the MRC in calculating the 249,783 tonnes (2011: 323,834) of waste received by the MRC.

Waste Processed by the Mindarie Regional Council

The table below reflects the waste received for processing by the MRC over the period since it commenced operations in 1991.

| Period/Year | Total tonnes received by the MRC | Tonnes diverted to the RRF | Residue returned from RRF | Tonnes landfilled at Tamala Park | Tonnes landfilled offsite |
|--------------|----------------------------------|----------------------------|---------------------------|----------------------------------|---------------------------|
| 1991 | 32,991 | - | - | 32,991 | - |
| 1992 | 150,487 | - | - | 150,487 | - |
| 1993 | 156,024 | - | - | 156,024 | - |
| 1994 | 151,945 | - | - | 151,945 | - |
| 1995 | 163,818 | - | - | 163,818 | - |
| 1996 | 179,006 | - | - | 179,006 | - |
| 1997 | 186,875 | - | - | 186,875 | - |
| 1998 | 225,620 | - | - | 225,620 | - |
| 1999 | 249,114 | - | - | 249,114 | - |
| 2000 | 336,502 | - | - | 336,502 | - |
| 2001 | 339,285 | - | - | 339,285 | - |
| 2002 | 331,576 | - | - | 331,576 | - |
| 2003 | 319,756 | - | - | 319,756 | - |
| 2004 | 328,655 | - | - | 328,655 | - |
| 2005 | 333,437 | - | - | 333,437 | - |
| 2006 | 349,156 | - | - | 349,156 | - |
| 2007 | 352,544 | - | - | 352,544 | - |
| 2008 | 380,189 | - | - | 380,189 | - |
| 2009 | 368,495 | 7,868 | 2,112 | 362,739 | - |
| 2010 | 352,035 | 65,010 | 28,889 | 315,914 | - |
| 2011 | 323,834 | 97,353 | 44,489 | 270,970 | 4,276 |
| 2012 | 249,783 | 105,213 | 45,414 | 189,984 | 6,239 |
| TOTAL | 5,861,127 | 275,444 | 120,904 | 5,706,587 | 10,515 |

Statement by the Chief Executive Officer

The attached financial statements, including the supporting notes and information, of the Mindarie Regional Council for the financial year ended 30 June 2012 are in my opinion drawn up so as to present fairly the financial position of the Mindarie Regional Council as at 30 June 2012 and the results of its operations for the financial year then ended in accordance with Australian Accounting Standards and in compliance with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed on 23 November 2012.

A handwritten signature in blue ink, appearing to read 'B Callander', is written over a faint, circular official stamp.

Brian Callander
Chief Executive Officer



Independent Audit Report to the Members of the Mindarie Regional Council



Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report to the Mindarie Regional Council

We have audited the accompanying financial report of Mindarie Regional Council which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report and the Chief Executive Officer's Statement.

Responsibility of the Council for the financial report

The Council of Mindarie Regional Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1995 Part 6. This responsibility includes establishing and maintaining internal controls relevant to the preparation of the financial report to be free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

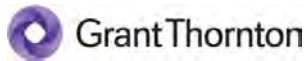
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to Mindarie Regional Council'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 Mindarie Regional Council's internal

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Independent Audit Report to the Members of the Mindarie Regional Council



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control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1995 Part 6 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Mindarie Regional Council's financial position and of their performance.

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

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's Opinion

In our opinion, the financial report of Mindarie Regional Council

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

Statutory Compliance

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance
Perth, 23 November 2012

Statement of Comprehensive Income (by nature and type) for the year ended 30 June 2012

| | Notes | ACTUAL 2011/2012 \$ | BUDGET 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|--|-------|---------------------------|---------------------------|---------------------------|
| Revenue from ordinary activities | | | | |
| Grants and subsidies | | - | 100,000 | - |
| Contributions, reimbursements and donations | | 106,650 | 91,800 | 177,139 |
| Fees and charges | | 37,645,469 | 37,657,856 | 40,430,610 |
| Gas generation services | 2 | 688,799 | 760,000 | 396,497 |
| Interest earnings | 2 | 620,420 | 632,232 | 704,320 |
| Other revenue | 2 | 333,826 | 181,200 | 300,222 |
| Total operating income | | 39,395,164 | 39,423,088 | 42,008,788 |
| Operating expenses | | | | |
| Employee costs | | (4,403,977) | (4,430,205) | (5,003,454) |
| Materials and contracts | | (23,996,645) | (24,053,877) | (22,645,141) |
| Utilities | | (142,121) | (163,800) | (165,668) |
| Depreciation | 2 | (913,826) | (909,900) | (1,167,264) |
| Borrowing costs | 2 | (1,020,447) | (1,099,800) | (1,191,764) |
| Insurance | | (181,150) | (184,000) | (167,329) |
| Amortisation | 2 | (3,445,454) | (3,325,904) | (4,118,137) |
| Other expenses | 2 | (5,736,545) | (5,858,951) | (7,921,332) |
| Total operating expenses | | (39,840,165) | (40,026,437) | (42,380,089) |
| Loss from ordinary activities | | (445,001) | (603,349) | (371,301) |
| Loss on sale of assets | | - | (400) | (55,541) |
| Loss from investing activities | | - | (400) | (55,541) |
| NET RESULT | | (445,001) | (603,749) | (426,842) |
| Other comprehensive income | | - | - | - |
| TOTAL COMPREHENSIVE INCOME | | (445,001) | (603,749) | (426,842) |

This statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income (by program) for the year ended 30 June 2012

| | ACTUAL 2011/2012 \$ | BUDGET 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|-------------------------------------|---------------------------|---------------------------|---------------------------|
| Operating revenues | | | |
| Community amenities | 39,395,164 | 39,423,088 | 42,008,788 |
| Total operating revenues | 39,395,164 | 39,423,088 | 42,008,788 |
| Operating expenses | | | |
| Governance | (2,541,880) | (2,854,628) | (125,803) |
| Community amenities | (14,151,498) | (14,457,112) | (19,590,140) |
| Other property services | - | - | (1,663,787) |
| Resource recovery facility | (22,126,340) | (21,614,897) | (19,808,595) |
| Total operating expenses | (38,819,718) | (38,926,637) | (41,188,325) |
| Loss on sale of assets | | | |
| Community amenities | - | (400) | (55,541) |
| Total loss on sale of assets | - | (400) | (55,541) |
| Finance costs | | | |
| Community amenities | (465,297) | (509,200) | (674,267) |
| Resource recovery facility | (555,150) | (590,600) | (517,497) |
| Total finance costs | (1,020,447) | (1,099,800) | (1,191,764) |
| NET RESULT | (445,001) | (603,749) | (426,842) |
| Other comprehensive income | - | - | - |
| TOTAL COMPREHENSIVE INCOME | (445,001) | (603,749) | (426,842) |

This statement should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2012

| | Notes | ACTUAL 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|--------------------------------------|-------|---------------------------|---------------------------|
| Current assets | | | |
| Cash and equivalents | 3 | 12,815,269 | 12,974,521 |
| Trade and other receivables | 4 | 2,677,482 | 3,200,358 |
| Inventories | 5 | 12,079 | 16,088 |
| Work-in-progress | 6 | 102,380 | - |
| Other current assets | 7 | <u>321,190</u> | <u>561,759</u> |
| Total current assets | | <u>15,928,400</u> | <u>16,752,726</u> |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 7,784,382 | 8,417,058 |
| Infrastructure | 9 | 514,941 | 440,089 |
| Excavation work | 10 | 17,635,529 | 19,544,696 |
| Resource recovery facility | 11 | 9,180,633 | 9,724,466 |
| Rehabilitation asset | 12 | 10,525,616 | 1,520,908 |
| Work-in-progress | 6 | <u>-</u> | <u>1,461,732</u> |
| Total non-current assets | | <u>45,641,101</u> | <u>41,108,949</u> |
| TOTAL ASSETS | | 61,569,501 | 57,861,675 |
| Current liabilities | | | |
| Trade and other payables | 13 | 3,898,666 | 6,047,209 |
| Provisions | 14 | 706,961 | 797,629 |
| Borrowings | 15 | 2,397,703 | 2,614,417 |
| Other current liabilities | 16 | <u>-</u> | <u>140,998</u> |
| Total current liabilities | | <u>7,003,330</u> | <u>9,600,253</u> |
| Non-current liabilities | | | |
| Provisions | 14 | 102,228 | 173,914 |
| Borrowings | 15 | 12,479,325 | 14,397,853 |
| Rehabilitation provision | 17 | 14,166,531 | 5,659,673 |
| Other non-current liabilities | 18 | <u>536,664</u> | <u>515,215</u> |
| Total non-current liabilities | | <u>27,284,748</u> | <u>20,746,655</u> |
| TOTAL LIABILITIES | | 34,288,078 | 30,346,908 |
| NET ASSETS | | <u>27,281,423</u> | <u>27,514,767</u> |
| EQUITY | | | |
| Retained surplus | | 16,498,024 | 17,368,147 |
| Reserves | 19 | 8,039,721 | 7,614,599 |
| Council contributions | 20 | <u>2,743,678</u> | <u>2,532,021</u> |
| TOTAL EQUITY | | <u>27,281,423</u> | <u>27,514,767</u> |

This statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2012

| | Retained surplus \$ | Reserves \$ | Council contributions \$ | Total equity \$ |
|-----------------------------------|---------------------------|-------------------------|--------------------------------|--------------------------|
| RETAINED SURPLUS | | | | |
| Balance as at 1 July 2010 | 24,271,589 | 1,137,999 | 2,332,271 | 27,741,859 |
| Net result | (426,842) | - | - | (426,842) |
| Capital contributions | - | - | 199,750 | 199,750 |
| Transfer (to)/from reserves | (6,476,600) | 6,476,600 | - | - |
| Balance as at 30 June 2011 | <u>17,368,147</u> | <u>7,614,599</u> | <u>2,532,021</u> | <u>27,514,767</u> |
| Balance as at 1 July 2011 | 17,368,147 | 7,614,599 | 2,532,021 | 27,514,767 |
| Net result | (445,001) | - | - | (445,001) |
| Capital contributions | - | - | 211,657 | 211,657 |
| Transfer (to)/from reserves | (425,122) | 425,122 | - | - |
| Balance as at 30 June 2012 | <u>16,498,024</u> | <u>8,039,721</u> | <u>2,743,678</u> | <u>27,281,423</u> |

This statement should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2012

| | Notes | ACTUAL 2011/2012 \$ | BUDGET 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|---|-------|---------------------------|---------------------------|---------------------------|
| Cash flows from operating activities | | | | |
| <u>Receipts</u> | | | | |
| Grants and subsidies | | - | 100,000 | 44,000 |
| Contributions, reimbursements and donations | | (11,297) | 91,800 | 192,869 |
| Service charges | | 745,472 | 760,000 | 436,147 |
| Fees and charges | | 41,792,722 | 37,657,856 | 44,364,951 |
| Interest earnings | | 825,311 | 632,232 | 704,971 |
| Goods and services tax | | 2,836,480 | - | 2,838,611 |
| Other revenue | | 284,259 | 181,200 | 300,300 |
| <u>Payments</u> | | | | |
| Employee costs | | (4,725,241) | (4,430,205) | (4,764,383) |
| Materials and contracts | | (27,314,100) | (24,053,877) | (24,505,570) |
| Utilities | | (162,836) | (163,800) | (189,378) |
| Borrowing costs | | (945,968) | (1,099,800) | (1,147,794) |
| Insurance | | (201,450) | (184,000) | (172,626) |
| Goods and services tax | | (3,866,108) | - | (4,196,295) |
| Other expenditure | | (6,328,811) | (5,858,951) | (8,462,806) |
| Net cash from operating activities | 21(b) | 2,928,433 | 3,632,455 | 5,442,997 |
| Cash flows from investing activities | | | | |
| Payments for purchases of property, plant and equipment | | (119,414) | (12,460,700) | (2,096,820) |
| Payments for infrastructure | | (128,091) | (120,000) | (33,934) |
| Council contributions | | 211,657 | 211,657 | 199,750 |
| Payments for work-in-progress | | (938,044) | (2,680,200) | (2,186,289) |
| Proceeds from sale of assets | | - | 28,000 | 180,000 |
| Proceeds from security deposits | | 21,449 | - | 515,215 |
| Net cash used in investing activities | | (952,443) | (15,021,243) | (3,422,078) |
| Cash flows from financing activities | | | | |
| Repayments of loans | 15 | (2,135,242) | (2,614,417) | (2,488,882) |
| Proceeds from new loans | | - | 14,000,000 | - |
| Net cash from/(used in) financing activities | | (2,135,242) | 11,385,583 | (2,488,882) |
| Net decrease in cash and equivalents | | (159,252) | (3,205) | (467,963) |
| Cash and equivalents - 1 July 2011 | 21(a) | 12,974,521 | 11,827,680 | 13,442,484 |
| Cash and equivalents - 30 June 2012 | 21(a) | 12,815,269 | 11,824,475 | 12,974,521 |

This statement should be read in conjunction with the accompanying notes.

Statement of Financial Activity for the year ended 30 June 2012

| | Notes | ACTUAL 2011/2012 \$ | BUDGET 2011/2012 \$ |
|---|-------|---------------------------|---------------------------|
| Revenues | | | |
| Grants and subsidies | | - | 100,000 |
| Contributions, reimbursements and donations | | 106,650 | 91,800 |
| Fees and charges – non-members | | 7,672,405 | 8,150,000 |
| Gas generation services | 2 | 688,799 | 760,000 |
| Interest earnings | 2 | 620,420 | 632,232 |
| Other revenue | 2 | 333,826 | 181,200 |
| Total revenues | | 9,422,100 | 9,915,232 |
| Expenses | | | |
| Employee costs | | (4,403,977) | (4,430,205) |
| Materials and contracts | | (23,996,645) | (24,053,877) |
| Utilities | | (142,121) | (163,800) |
| Depreciation | 2 | (913,826) | (909,900) |
| Borrowing costs | 2 | (1,020,447) | (1,099,800) |
| Insurance | | (181,150) | (184,000) |
| Amortisation | 2 | (3,445,454) | (3,325,904) |
| Other expenses | 2 | (5,736,545) | (5,858,951) |
| Loss on disposal of assets | | - | (400) |
| Total expenses | | (39,840,165) | (40,026,837) |
| Net operating result (excluding member fees and charges) | | (30,418,065) | (30,111,605) |
| Adjustments for operating non-cash items | | | |
| Loss on disposal of assets | | - | 400 |
| Movement in accrued expenses | | (143,831) | - |
| Movement in accrued salaries and wages | | (161,601) | - |
| Movement in employee benefit provisions | | (162,354) | - |
| Movement in RRF insurance provision | | (140,998) | - |
| Movement in prepayments | | 142,215 | - |
| Movement in accrued income | | 98,354 | - |
| Movement in payables relating to investing activity | | 698,593 | - |
| Movement in council capital contributions | | 211,657 | - |
| Council contributions relating to investing activities | | (211,657) | - |
| Depreciation of assets | | 913,826 | 909,900 |
| Amortisation | | 3,445,454 | 3,325,904 |
| Total adjustments for operating non-cash items | | 4,689,658 | 4,236,204 |
| Total operating result (less non-cash adjustments) | | (25,728,407) | (25,875,401) |

Statement of Financial Activity for the year ended 30 June 2012 (continued)

| | Notes | ACTUAL 2011/2012 \$ | BUDGET 2011/2012 \$ |
|--|-------|----------------------------|----------------------------|
| Capital expenditures | | | |
| Payments of purchases of property, plant and equipment | | (119,414) | (12,460,700) |
| Payments for construction of infrastructure | | (128,091) | (120,000) |
| Payments for work-in-progress | | <u>(938,042)</u> | <u>(2,680,200)</u> |
| Total capital expenditures | | (1,185,547) | (15,260,900) |
| Funding sources | | | |
| Repayments of loans | | (2,135,242) | (2,614,417) |
| Proceeds from loans | | - | 14,000,000 |
| Proceeds from sale of assets | | - | 28,000 |
| Interest on security deposits | | 21,449 | - |
| Council contributions | | 211,657 | 211,657 |
| Transfers to reserves | | (1,585,100) | (1,400,932) |
| Transfers from reserves | | <u>1,159,978</u> | <u>2,121,866</u> |
| Total funding sources | | (2,327,258) | 12,346,174 |
| TOTAL REVENUE AND CAPITAL EXPENDITURES | | (29,241,212) | (28,790,127) |
| Estimated surplus – 1 July 2011 | 26 | 3,031,765 | 5,364,942 |
| Estimated surplus – 30 June 2012 | 26 | <u>(3,763,618)</u> | <u>(6,082,671)</u> |
| | | (731,853) | (717,729) |
| USER CHARGES – MEMBER COUNCILS | | <u>(29,973,065)</u> | <u>(29,507,856)</u> |

This statement should be read in conjunction with the accompanying notes.

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2012

1. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of this financial report:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations (as they apply to local governments), other mandatory professional reporting requirements, the Local Government Act 1995 and accompanying regulations. The report has also been prepared on an accrual basis under the convention of historical cost accounting.

The financial report has been prepared on the basis of historical cost and, except where stated, does not take into account the fair values of non-current assets. Cost is based on the fair value of the consideration given in exchange for an asset.

Compliance with IFRS

International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards adopted by the Australian Accounting Standards Board in the form of the Australian International Financial Reporting Standards (AIFRS). The financial report of the MRC complies with IFRS and interpretations adopted by the International Accounting Standards Board, except as follows:

- the specific provisions relating to not-for-profit entities permissible under AIFRS.

Australian Accounting Standards and Interpretations that have been issued or amended, but which are not yet effective, have not been adopted by the MRC for the year ended 30 June 2012.

The MRC is of the view that the new standards or amendments will have no direct impact on the amounts included in the financial report, although the changes may impact on the way in which some financial information is disclosed.

Critical accounting estimates

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for judgements made in the absence of alternative sources of information. Actual results may differ from these estimates.

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2012

The calculation of amortisation on the excavation assets is based on specific estimates and judgements on the total capital costs and capacity of the landfill site. The amortisation rate charged is reviewed regularly and is based on an average cost per tonne. The cost per tonne is arrived at after taking into account a standard engineering cost per cubic metre of landfill and the estimated density of the waste. The amortisation expense is arrived at by applying the amortisation rate to the actual tonnages sent to landfill during the financial year.

(b) The Local Government reporting entity

All funds utilised by the MRC to carry on its functions have been included in the financial statements forming part of this financial report. The financial statements are prepared on the basis of a single consolidated fund (the Municipal Fund).

(c) Good and services tax

In accordance with recommended practice, revenues, expenses and assets are recognised net of any goods and services tax (GST) recoverable. Receivables and payables on the statement of financial position, are stated inclusive of GST.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities is included as operating cash flows.

(d) Cash and equivalents

Cash and equivalents on the statement of financial position are comprised of cash at bank and in hand, and short term deposits with an original maturity of 12 months or less, which are readily convertible to a known amounts of cash and which are subject to insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and equivalents consists of cash and equivalents as defined above, net of outstanding bank overdrafts.

(e) Receivables

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

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Estimated replacement value is used as a proxy for net realisable value.

(g) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition, plus any costs incidental to the acquisition. In the event that settlement of all or part of the acquisition price is deferred beyond normal credit terms, the purchase consideration is determined by discounting the amounts payable to their present value at date of acquisition.

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2012

(h) Property, plant and equipment, excavation work and infrastructure assets

Property, plant and equipment, excavation work and infrastructure assets are brought to account at cost less any accumulated depreciation, amortisation or impairment losses, where applicable.

Fixed assets are written down to recoverable amount where the carrying value of any fixed asset exceeds its recoverable amount. In determining the recoverable amount of fixed assets, the expected net cash flows are discounted to their present value.

(i) Depreciation

Depreciation is provided on property, plant and equipment, including buildings but excluding freehold land. 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 calculated on a straight-line basis using rates which are reviewed each financial year. The following estimated useful lives are used in the calculation of depreciation:

| | |
|---|-----------------------|
| Buildings | 20 years |
| Plant and equipment | 6 $\frac{2}{3}$ years |
| Furniture and fittings | 5 years |
| Computers and equipment (excluding servers) | 3 years |
| Computers and equipment (servers) | 5 years |
| Roads, landscaping, fences, walls and security lighting | 20 years |

(j) Leased assets

The MRC has no leased assets classified as finance leases. Operating lease payments are recognised as an expense consistent with the pattern in which the economic benefits from the asset are consumed.

(k) Investments and other financial assets

All investments are cash and equivalents that are valued at cost. Interest on those investments is recognised as it accrues. The MRC has no non-cash investments.

(l) Impairment

In accordance with Australian Accounting Standards, the MRC's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication that they may be impaired. Non-cash generating assets are assessed as part of the cash generating unit to which they belong.

(m) Accounts payable

Trade payables and other accounts payable are recognised when the MRC becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.



Notes to and Forming Part of the Financial Statements for the year ended 30 June 2012

(n) Employee benefits

A provision is made for benefits accruing to employees in respect of salaries and wages, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Under the MRC workplace agreement, employees are paid for any unused sick on termination, based on a graduated entitlement defined in the agreement.

(i) Short term benefits

The provision for employees' benefits made in respect of salaries and wages, annual leave, sick leave and other employee benefits expected to be settled with 12 months represents the amount for which the MRC has an obligation arising from employee services received up to the year end date. The provision has been calculated at the nominal amounts due, based on the remuneration rates the MRC expects to pay and includes related on-costs.

(ii) Long term benefits

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of the expected future payments to be made in respect of the services provided by employees up to the reporting date. Consideration is given to expected future remuneration rates, anticipated employee departures and periods of service. Expected future payments are discounted using an appropriate risk-free discount rate. Where the MRC does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

(o) Interest bearing loans and borrowings

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

After initial recognition, interest bearing loans and borrowings are subsequently measured using their applicable repayment schedules. Fees paid on the establishment of loan facilities are recognised in the income statement. Borrowings are classified as non-current liabilities, with repayments due in the 12 months after year end date recognised as current liabilities.

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 the commencement date for capitalisation is after 1 January 2009. Where this is the case, they are capitalised as part of the cost of the particular asset.

(p) Superannuation

In line with Superannuation Guarantee statutory requirements, the MRC makes a mandatory 9% contribution of the normal salary of qualifying employees, to the employees' nominated superannuation funds. In addition to this, the MRC matches contributions made by employees to these nominated superannuation funds of up to a limit of 7%.

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2012

(q) Provisions

Provisions are recognised when the MRC has a present obligation as a result of past events, which is likely to result in a reliably measurable outflow of resources to settle the obligation.

When the obligation is matched by a claim against a third party, the receivable from the third party claim is recognised as an asset to the extent that it is reliably measurable and likely to be realised.

(r) Provisions for restoration, rehabilitation, and site monitoring costs

The MRC complies with the full provision method for accounting provisions in respect of restoration, rehabilitation and site monitoring costs. Charges are made to expenses based on the estimated costs of restoring, rehabilitating and monitoring the Tamala Park landfill site. The rate charge is reviewed annually and is based on an estimated cost per tonne. The cost per tonne is arrived at after taking into account a standard engineering cost per cubic metre of landfill, the density of the waste and the most recent aerial surveys. Engineering rates differ according to the nature of the obligation to provide the service.

(s) Future capping expenditure

The liability for estimated future capping expenditure is provided for through a rehabilitation provision on a phase-by-phase basis and is discounted to its present value, with the unwinding of the discount being charged to the statement of comprehensive income within the amortisation charge. The discounted present value of the future capping expenditure is also capitalised as part of the rehabilitation asset and is amortised on a straight-line basis. Changes in estimates are recognised prospectively with corresponding adjustments to the provision and associated costs.

(t) Revenue recognition

Revenue from waste services is recognised when the waste is received.

Revenue from the disposal of assets is recognised when control of the asset has passed to the buyer.

Revenue from service contracts is recognised by reference to the stage of completion of the contract.

Revenue from the generation of gas services is recognised on an accrual basis. Proceeds from the sale of Renewable Energy Certificates are only recognised when the certificates are sold.

Interest income is recognised on an accrual basis.

Grants, donations and other contributions are recognised as revenues when received. Where conditional contributions are received and recognised in revenue in a period and the conditions attaching to the contributions have not yet been satisfied, they are disclosed in the notes to the financial statements as "Restricted assets".

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2012

(u) Fair value

The aggregate fair value and carrying amounts of financial assets and liabilities are disclosed in the statement of financial position and in the notes to the financial report.

The nominal value of receivables and payables, less any credit adjustments, are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes, are estimated by discounting the future contractual cash flows at an appropriate risk free discount rate.

(v) Comparative figures and rounding

When required, comparative figures have been adjusted to conform to changes in presentation for the current financial year. All figures shown in this annual report, other than where it refers to a dollar rate, are rounded to the nearest dollar.

(w) Current and non-current classifications

In the determination of whether an asset or liability is current or non-current, consideration is given to the timing of expected settlement of the item. The item is classified as current if there is an expectation that it will be settled within 12 months. Notwithstanding the above, where the MRC does not have the unconditional right to defer settlement of a liability beyond 12 months, the amount is classified as current.

(x) Budget figures

Unless otherwise stated, the budget figures shown in this financial report relate to the original budget adopted pertaining to the relevant item.

(y) Approval of the annual report and financial statements

The Council approved the 2012 annual report and financial statements at their Ordinary Council meeting of 6 December 2012.

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

| | ACTUAL 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|--|---------------------------|---------------------------|
| 2. REVENUES AND EXPENSES | | |
| The result from operating activities includes: | | |
| <u>Revenue</u> | | |
| Gas generation services | | |
| Gas sales | 688,799 | 396,497 |
| Interest earnings | | |
| Interest on investments | 620,420 | 704,320 |
| Other revenue | | |
| Other revenue | 333,826 | 300,222 |
| <u>Expenses</u> | | |
| Depreciation | | |
| Buildings | 177,802 | 163,571 |
| Furniture and equipment | 27,299 | 27,580 |
| Computing equipment | 74,762 | 98,247 |
| Plant and machinery | <u>586,206</u> | <u>815,490</u> |
| | 866,069 | 1,104,888 |
| Infrastructure | <u>47,757</u> | <u>62,376</u> |
| | 913,826 | 1,167,264 |
| Borrowing costs | | |
| Interest expense – loans | 978,252 | 1,141,209 |
| Loan expenses | <u>42,195</u> | <u>50,555</u> |
| | 1,020,447 | 1,191,764 |
| Amortisation | | |
| Excavation works | 1,985,652 | 3,053,644 |
| Site monitoring provision | 393,464 | 316,153 |
| Finance charge – decommissioning provision | 150,137 | 100,576 |
| Decommissioning asset | 376,008 | 107,645 |
| Resource recovery facility assets | <u>540,193</u> | <u>540,119</u> |
| | 3,445,454 | 4,118,137 |
| Other expenses | | |
| State landfill levy | 4,877,720 | 6,931,880 |
| Other expenses | <u>858,825</u> | <u>989,452</u> |
| | 5,736,545 | 7,921,332 |

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

| | ACTUAL 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|---|---------------------------|---------------------------|
| 2. REVENUES AND EXPENSES (continued) | | |
| Auditors' remuneration | | |
| Financial audit | 18,250 | 18,250 |
| Operational audits | 15,305 | 15,305 |

The operational audit is an environmental licence compliance audit.

3. CASH AND EQUIVALENTS

| | | |
|-------------------|-------------------|-------------------|
| Unrestricted cash | 4,238,884 | 4,844,707 |
| Restricted cash | <u>8,576,385</u> | <u>8,129,814</u> |
| | 12,815,269 | 12,974,521 |

The following restrictions have been imposed by Council resolution, regulation or external requirements:

| | | |
|---------------------------------------|------------------|------------------|
| Site rehabilitation reserve | - | 142,435 |
| Carried forward expenditure reserve | - | 362,445 |
| RRF operational requirements reserve | 5,488,302 | 5,183,519 |
| Capital expenditure reserve | 522,137 | - |
| Members' revenue equalisation reserve | <u>2,029,282</u> | <u>1,926,200</u> |
| Total reserves | 8,039,721 | 302 40/55 |

| | | |
|--|------------------|------------------|
| Other restricted cash – Security deposit held* | <u>536,664</u> | <u>515,215</u> |
| Total restricted cash | 8,576,385 | 8,129,814 |

*The security deposit from BioVision 2020 Pty Ltd is in lieu of a bank guarantee and is held in bank account separate from other municipal funds.

4. TRADE AND OTHER RECEIVABLES

| | | |
|-----------------------------------|------------------|------------------|
| Trade receivables | 2,678,571 | 2,995,837 |
| Less provision for doubtful debts | <u>(1,089)</u> | <u>(958)</u> |
| | 2,677,482 | 2,994,879 |
| GST receivable | <u>-</u> | <u>205,479</u> |
| | 2,677,482 | 3,200,358 |

5. INVENTORIES

| | | |
|------|--------|--------|
| Fuel | 12,079 | 16,088 |
|------|--------|--------|

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

| | ACTUAL 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|---|----------------------------------|----------------------------------|
| 6. WORK-IN-PROGRESS | | |
| <u>Current</u> | | |
| Landfill Stage 2 - Phase III development | 26,976 | - |
| Leachate system | 12,404 | - |
| Landfill gas well installation | 15,000 | - |
| Storage area network (replacement) | 48,000 | - |
| | <u>102,380</u> | <u>-</u> |
| <u>Non-current</u> | | |
| Administration accommodation improvements | - | 32,805 |
| Landfill Stage 2 - Phase III development | - | 56,100 |
| Landfill Stage 2 - Phase I capping | - | 1,372,827 |
| | <u>-</u> | <u>1,461,732</u> |
| <p>Capital work-in-progress totalling \$1,417,459 relating to capping work on Stage 2 - Phase I was offset against the related decommissioning provision during the course of the year.</p> | | |
| 7. OTHER CURRENT ASSETS | | |
| Prepaid expenses | 151,070 | 293,285 |
| Accrued income | 170,120 | 268,474 |
| | <u>321,190</u> | <u>561,759</u> |
| 8. PROPERTY, PLANT AND EQUIPMENT | | |
| Land and buildings – cost | 6,493,030 | 6,377,641 |
| Less Accumulated depreciation | <u>(2,036,039)</u> | <u>(1,858,237)</u> |
| | 4,456,991 | 4,519,404 |
| Furniture and fittings – cost | 453,451 | 441,442 |
| Less Accumulated depreciation | <u>(394,484)</u> | <u>(367,185)</u> |
| | 58,967 | 74,257 |
| Computers and equipment – cost | 483,477 | 452,713 |
| Less Accumulated depreciation | <u>(373,240)</u> | <u>(298,478)</u> |
| | 110,237 | 154,235 |
| Plant and equipment – cost | 6,546,887 | 6,471,656 |
| Less Accumulated depreciation | <u>(3,388,700)</u> | <u>(2,802,494)</u> |
| | 3,158,187 | 3,669,162 |
| | <u>7,784,382</u> | <u>8,417,058</u> |

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Effective from 1 July 2004, the MRC deemed the carrying amount of land and buildings to be their cost.

Movements in carrying amounts of each class of property, plant and equipment during the financial year are shown in the table below.

| | Land and buildings \$ | Furniture and fittings \$ | Computers and equipment \$ | Plant and equipment \$ | Total \$ |
|-----------------|-----------------------------|---------------------------------|-------------------------------------|------------------------------|------------------|
| Opening balance | 4,519,404 | 74,257 | 154,235 | 3,669,162 | 8,417,058 |
| Additions | 115,389 | 12,009 | 30,764 | 75,231 | 233,393 |
| Depreciation | (177,802) | (27,299) | (74,762) | (586,206) | (866,069) |
| Closing balance | <u>4,456,991</u> | <u>58,967</u> | <u>110,237</u> | <u>3,158,187</u> | <u>7,784,382</u> |

The land owned by the MRC is the site which houses the RRF at 87 Pederick Road in Neerabup.

| | ACTUAL 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|-------------------------------|---------------------------|---------------------------|
| 9. INFRASTRUCTURE | | |
| Infrastructure | 1,555,137 | 1,432,528 |
| Less Accumulated depreciation | <u>(1,040,196)</u> | <u>(992,439)</u> |
| | 514,941 | 440,089 |

Effective from 1 July 2004, the MRC deemed the carrying amount infrastructure assets to be their cost.

Movements in carrying amounts of infrastructure assets during the financial year are shown in the table below.

| | Total \$ |
|-----------------|-----------------------|
| Opening balance | <u>440,089</u> |
| Additions | 122,609 |
| Depreciation | (47,757) |
| Closing balance | <u>514,941</u> |



Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

| | ACTUAL 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|----------------------------|---------------------------|---------------------------|
| 10. EXCAVATION WORK | | |
| Excavation work completed | 39,759,830 | 39,683,345 |
| Less Amortisation | <u>(22,124,301)</u> | <u>(20,138,649)</u> |
| | 17,635,529 | 19,544,696 |

Movements in carrying amounts of excavation assets during the financial year are shown in the table below.

| | Total \$ |
|-----------------|--------------------------|
| Opening balance | <u>19,544,696</u> |
| Additions | 76,485 |
| Amortisation | (1,985,652) |
| Closing balance | <u><u>17,635,529</u></u> |

| | ACTUAL 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|--|---------------------------|---------------------------|
| 11. RESOURCE RECOVERY FACILITY | | |
| Capital expenditures | 8,705,388 | 8,705,388 |
| Less Amortisation | <u>(1,303,751)</u> | <u>(868,258)</u> |
| | 7,401,637 | 7,837,130 |
| Pre-operating expenses (commissioning) | 1,778,996 | 1,883,696 |
| Work-in-progress | <u>-</u> | <u>3,640</u> |
| | 9,180,633 | 9,724,466 |

The RRF was commissioned on 15 July 2009.

Movements in carrying amounts of the RRF assets during the financial year are shown in the table below.

| | Total \$ |
|------------------------------|-------------------------|
| Opening balance | <u>9,724,466</u> |
| Work-in-progress written off | (3,640) |
| Amortisation | (540,193) |
| Closing balance | <u><u>9,180,633</u></u> |

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

| | ACTUAL 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|---|---------------------------|---------------------------|
| 12. REHABILITATION ASSET | | |
| Decommissioning asset for stage 2 capping | 9,203,830 | 3,873,871 |
| Less Amortisation | <u>(2,728,971)</u> | <u>(2,352,963)</u> |
| | 6,474,859 | 1,520,908 |
| Post closure rehabilitation asset | 4,050,757 | |
| Less Amortisation | <u>-</u> | <u>-</u> |
| | 4,050,757 | - |
| Total | <u>10,525,616</u> | <u>1,520,908</u> |

Movements in carrying amounts of decommissioning assets during the financial year are shown in the table below.

| | Stage 2 Phase I \$ | Stage 2 Phase II (east) \$ | Stage 2 Phase II (West) \$ | Stage 2 Phase III \$ | Total \$ |
|-----------------|--------------------------|-------------------------------------|-------------------------------------|----------------------------|-------------------------|
| Opening balance | 444,458 | 502,653 | 573,797 | - | 1,520,908 |
| Additions | - | - | - | 5,329,959 | 5,329,959 |
| Amortisation | (222,229) | (71,808) | (81,971) | - | (376,008) |
| Closing balance | <u>222,229</u> | <u>430,845</u> | <u>491,826</u> | <u>5,329,959</u> | <u>6,474,859</u> |

During the year, the completion of Stage 2 - Phase III has resulted in the recognition of a new decommissioning asset in respect of the future capital expenditure required to restore this area of the landfill site.

Movements in carrying amounts of post closure rehabilitation assets during the financial year are shown in the table below.

| | Total \$ |
|-----------------|-------------------------|
| Opening balance | - |
| Additions | 4,050,757 |
| Amortisation | - |
| Closing balance | <u>4,050,757</u> |

During the year, an assessment of the future post closure rehabilitation obligations has resulted in the recognition of a post closure rehabilitation asset.

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

| | ACTUAL 2011/2012 \$ | ACTUAL 2010/2011 \$ | | | |
|---|--|----------------------------------|---|---|----------------------------|
| 13. TRADE AND OTHER PAYABLES | | | | | |
| Sundry creditors | 3,676,463 | 5,544,603 | | | |
| Accrued expenses | 192,830 | 336,661 | | | |
| Accrued salaries and wages | 4,344 | 165,945 | | | |
| GST | <u>25,029</u> | <u>-</u> | | | |
| | 3,898,666 | 6,047,209 | | | |
| 14. PROVISIONS | | | | | |
| <u>Current</u> | | | | | |
| Provision for annual leave and sick leave | 416,427 | 530,972 | | | |
| Provision for long service leave | <u>290,534</u> | <u>266,657</u> | | | |
| | 706,961 | 797,629 | | | |
| <u>Non-current</u> | | | | | |
| Provision for long service leave | 102,228 | 173,914 | | | |
| 15. BORROWINGS | | | | | |
| <u>Current</u> | | | | | |
| Loan principal | 2,397,703 | 2,614,417 | | | |
| <u>Non-current</u> | | | | | |
| Loan principal | 12,479,325 | 14,397,853 | | | |
| BUDGET | | | | | |
| | Estimated principal 1 Jul 2011 \$ | Budgeted Draw- downs \$ | Budgeted Principal repayments \$ | Projected principal 30 Jun 2012 \$ | Interest payments \$ |
| Tamala Park | | | | | |
| Loan 8 | 240,197 | - | 74,974 | 165,223 | 13,400 |
| Loan 12 | 7,916,610 | - | 1,666,680 | 6,249,930 | 429,800 |
| Loan 13 | - | 2,000,000 | - | 2,000,000 | 30,000 |
| Loan 14 | - | 12,000,000 | - | 12,000,000 | - |
| RRF | | | | | |
| Loan 10 | 7,336,758 | - | 661,106 | 6,675,652 | 486,800 |
| Loan 11 | 1,553,705 | - | 211,657 | 1,342,048 | 86,600 |
| Closing balance | 17,047,270 | 14,000,000 | 2,614,417 | 28,432,853 | 1,046,600 |
| Facility fee | | | | <u>53,200</u> | |
| | | | | 1,099,800 | |

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

15. BORROWINGS (continued)

ACTUAL

| | Actual principal 1 Jul 2011 \$ | Actual Draw- downs \$ | Actual Principal repayments \$ | Actual principal 30 Jun 2012 \$ | Interest payments \$ |
|--------------------|---|--------------------------------|---|--|----------------------------|
| Tamala Park | | | | | |
| Loan 8 | 240,197 | - | 74,974 | 165,223 | 13,330 |
| Loan 12 | 7,916,610 | - | 1,187,505 | 6,729,105 | 425,692 |
| Loan 13 | - | - | - | - | - |
| Loan 14 | - | - | - | - | - |
| RRF | | | | | |
| Loan 10 | 7,301,758 | - | 661,106 | 6,640,652 | 452,716 |
| Loan 11 | 1,553,705 | - | 211,657 | 1,342,048 | 86,514 |
| Closing balance | 17,012,270 | | 2,135,242 | 14,877,028 | 978,252 |
| Facility fee | | | | | 42,195 |
| | | | | | 1,020,447 |

Details of loans

Loan 8 – Building upgrades

Loan 10 – Resource Recovery Facility Infrastructure

Loan 11 – Resource Recovery Facility Land

Loan 12 - Construction Stage 2 - Phase II

Loan 13 - Construction Stage 2 - Phase III

Loan 14 – New landfill site purchase

The MRC has an overdraft facility of \$1,000,000 with National Australia Bank, which was undrawn as at year end and had not been utilised during the course of the year.

| | ACTUAL 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|--------------------------------------|---------------------------|---------------------------|
| 16. OTHER CURRENT LIABILITIES | | |
| Provision for insurance | - | 104,998 |



Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

| | ACTUAL 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|---|---------------------------|---------------------------|
| 17. REHABILITATION PROVISION | | |
| Decommissioning provision for Stage 2 - Phase I | - | 3,227,750 |
| Decommissioning provision for Stage 2 - Phase II (East) | 1,021,083 | 888,422 |
| Decommissioning provision for Stage 2 - Phase II (West) | 809,065 | 888,422 |
| Decommissioning provision for Stage 2 - Phase III | 7,237,083 | - |
| Decommissioning provision for post closure rehabilitation | <u>5,099,300</u> | <u>655,079</u> |
| | 14,166,531 | 5,659,673 |

Capital work-in-progress totaling \$1,417,459 relating to capping work on Stage 2 - Phase I was offset against the decommissioning provision for Stage 2 – Phase I during the course of the year.

The balance of the provision in respect of Stage 2 – Phase I was offset against the creation a new decommissioning provision in respect of Stage 2 – Phase III, which was completed during the course of the year.

During the year, an assessment of the future post closure rehabilitation obligations has resulted in the recognition of an additional post closure rehabilitation liability.

18. OTHER NON-CURRENT LIABILITIES

| | | |
|----------------------|---------|---------|
| RRF security deposit | 536,664 | 515,215 |
|----------------------|---------|---------|

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

| | ACTUAL 2011/2012 \$ | BUDGET 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|--|---------------------------|---------------------------|---------------------------|
| 19. RESERVES | | | |
| <u>Site rehabilitation reserve</u> | | | |
| Opening balance | 142,435 | 141,663 | 137,999 |
| Transfer to reserve | - | - | 4,436 |
| Transfer from reserve | (142,435) | (141,663) | - |
| | - | - | 142,435 |
| <u>Carried forward expenditure reserve – Tamala Park</u> | | | |
| Opening balance | - | - | 50,000 |
| Transfer to reserve | - | - | - |
| Transfer from reserve | - | - | (50,000) |
| | - | - | - |
| <u>Carried forward expenditure reserve – RRF</u> | | | |
| Opening balance | 362,445 | - | 950,000 |
| Transfer to reserve | 10,447 | - | 9,640 |
| Transfer from reserve | (372,892) | - | (597,195) |
| | - | - | 362,445 |
| <u>RRF operational requirements reserve</u> | | | |
| Opening balance | 5,183,519 | 5,183,386 | - |
| Transfer to reserve | 304,783 | 300,932 | 5,183,519 |
| Transfer from reserve | - | (1,065,366) | - |
| | 5,488,302 | 4,418,952 | 5,183,519 |
| <u>Capital expenditure reserve</u> | | | |
| Opening balance | - | - | - |
| Transfer to reserve | 1,166,788 | 1,100,000 | - |
| Transfer from reserve | (644,651) | (1,056,500) | - |
| | 522,137 | 43,500 | - |
| <u>Members' Revenue Equalisation Reserve</u> | | | |
| Opening balance | 1,926,200 | 1,926,200 | - |
| Transfer to reserve | 103,082 | - | 1,926,200 |
| Transfer from reserve | - | - | - |
| | 2,029,282 | 1,926,200 | 1,926,200 |
| Total Reserves | 8,039,721 | 6,388,652 | 7,614,599 |

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

19. RESERVES (continued)

All of the reserve accounts are supported by money held with financial institutions which matches the amounts shown as restricted cash in note 3 to the financial report.

In accordance with Council resolutions in relation to each reserve account, the purposes for which the respective funds are set aside for are as follows:

Site rehabilitation reserve – to be used to fund the rehabilitation following the closure of the landfill. In 2011/2012, the Council approved the closure of the reserve and the transfer of the funds back to the municipal fund.

Carried forward expenditure reserve (Tamala Park and RRF) – to be used to fund the operational expenditure committed and brought forward from previous years. In 2011/2012, the Council approved the closure of the reserve and the transfer of the funds back to the municipal fund

RRF operational requirements reserve – to be used to fund unexpected, unforeseen or adhoc operational expenditure in respect of the RRF.

Members' revenue equalisation reserve – to be used to fund any under recovery of the Members' gate fee in future years.

| | ACTUAL 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|----------------------------------|---------------------------|---------------------------|
| 20. COUNCIL CONTRIBUTIONS | | |
| City of Joondalup | 457,280 | 422,003 |
| City of Wanneroo | 457,280 | 422,003 |
| City of Stirling | 914,559 | 844,007 |
| City of Perth | 338,448 | 320,811 |
| City of Vincent | 192,037 | 174,399 |
| Town of Cambridge | 192,037 | 174,399 |
| Town of Victoria Park | <u>192,037</u> | <u>174,399</u> |
| | 2,743,678 | 2,532,021 |

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

21. NOTES TO THE STATEMENT OF CASH FLOWS

21(a) Reconciliation of cash

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

| | ACTUAL 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|----------------------|---------------------------|---------------------------|
| Cash and equivalents | 12,815,269 | 12,974,521 |

21(b) Reconciliation of the Net Result to net cash provided by operating activities

| | | |
|--|------------------|------------------|
| Net result | (445,001) | (426,842) |
| Depreciation | 913,826 | 1,167,264 |
| Amortisation – excavation | 1,985,652 | 3,053,644 |
| Amortisation and finance charges for capping | 526,145 | 208,221 |
| Amortisation – post closure site monitoring | 393,464 | 316,153 |
| Amortisation – RRF assets | 540,193 | 540,119 |
| Loss on sale of assets | - | 55,541 |
| Decrease/(increase) in receivables | 522,876 | (221,427) |
| Decrease in inventories | 4,009 | 1,597 |
| Decrease/(increase) in prepayments and accrued income | 240,569 | (46,996) |
| (Decrease) in payables | (2,148,543) | (541,946) |
| Adjustment for payables relating to investing activities | 698,595 | 1,014,926 |
| (Decrease)/Increase in employee provisions | (162,354) | 181,745 |
| (Decrease)/Increase in other provisions | (140,998) | 140,998 |
| Increase in council contributions | 211,657 | 199,750 |
| Council contributions relating to investing activities | (211,657) | (199,750) |
| Net cash provided by operating activities | 2,928,433 | 5,442,997 |

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

| | ACTUAL 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|---|---------------------------|---------------------------|
| 21. NOTES TO THE STATEMENT OF CASH FLOWS (continued) | | |
| 21(c) Undrawn borrowing facilities | | |
| Bank overdraft limit | 1,000,000 | 1,000,000 |
| Bank overdraft drawn | - | - |
| Credit card limit | 125,000 | 125,000 |
| Credit card balance drawn | - | (9,107) |
| Loan facility limits | 14,877,028 | 17,012,270 |
| Loan principal drawn | (14,877,028) | (17,012,270) |
| Total undrawn borrowing facilities | 1,125,000 | 1,115,893 |

22. CITY OF STIRLING WITHDRAWAL

The City of Stirling commenced proceedings in May 2010 against the MRC in the Supreme Court of Western Australia. Stirling was disputing the introduction of a single gate fee for all members. The remaining six member councils joined the proceedings as second defendants.

At mediation ordered by the Supreme Court, the parties reached a settlement and entered into a Heads of Agreement. Under the Heads of Agreement, the parties agreed to settle the claim under the following terms:

- Stirling would discontinue the Supreme Court proceedings;
- Stirling would make a request to the Minister for Local Government to withdraw from the MRC;
- The remaining participants would consent to the withdrawal; and
- Negotiations would continue in good faith as to the adjustment of assets and liabilities referred to in Section 699 of the Local Government Act 1960.

At the date of signing this report, the MRC had not yet reached agreement with Stirling as to the adjustment of assets and liabilities as contemplated above and the Council have resolved that the MRC should make an independent submission to the Minister on the matter.

The outcome of this process, and any future attaching financial impact, is not able to be determined at this stage. The financial effect of the reduction in tonnes delivered by Stirling as a result of their intended exit is largely already reflected in the financial results for the 2011/2012 financial year.

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

| | ACTUAL 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|---|---------------------------|---------------------------|
| 23. OPERATING LEASE COMMITMENTS | | |
| <p>The operating lease relates to the lease of the land at Tamala Park and various equipment leases. Lease payments are split as follows:</p> | | |
| - not later than one year | 608,208 | 596,088 |
| - later than one year, but not later than five years | 2,399,740 | 2,384,350 |
| - later than five years | <u>9,537,401</u> | <u>9,537,401</u> |
| | 12,545,349 | 12,517,839 |

24. ASSET DISPOSALS

| | Net Book Value \$ | Selling Price \$ | Profit/ (loss) \$ |
|----------------------|-------------------------|------------------------|-------------------------|
| <u>Budget</u> | | | |
| Plant and equipment | | | |
| KIA Grand Carnival | 28,400 | 28,000 | (400) |
| <u>Actual</u> | | | |
| Plant and equipment | | | |
| <i>None sold</i> | - | - | - |

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

| | ACTUAL 2011/2012 \$ | ACTUAL 2010/2011 \$ | ACTUAL 2009/2010 \$ |
|--|---------------------------|---------------------------|---------------------------|
| 25. FINANCIAL RATIOS | | | |
| User revenue to total tonnes | 126.39 | 108.75 | 94.61 |
| Current ratio | 1.05 | 0.90 | 1.63 |
| Unrestricted cash to trade creditors ratio | 1.15 | 0.87 | 2.81 |
| Debt ratio | 0.56 | 0.52 | 0.54 |
| Debt service ratio | 0.08 | 0.09 | 0.10 |
| Operating costs per tonne | 134.96 | 115.06 | 93.44 |
| Gross debt to revenue ratio | 0.38 | 0.40 | 0.51 |
| Gross debt to economically realisable assets ratio | 0.65 | 0.68 | 0.79 |

Ratio formulas

User revenue to total tonnes

User revenue (excluding recyclable sales) / Total tonnes

Current ratio

(Current assets – restricted current assets) /
(Current liabilities – liabilities associated with restricted current assets)

Unrestricted cash to trade creditors ratio

Unrestricted cash / Trade creditors (Sundry creditors)

Debt ratio

Total liabilities / Total assets

Debt service ratio

Debt service cost (principal and interest) / Total operating income

Operating costs per tonne

Operating expenses / Total tonnes

Gross debt to revenue ratio

Total loans / Total operating income

Gross debt to economically realisable assets ratio

Total loans / Total current assets – total current liabilities



Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

26. FINANCIAL ACTIVITY INFORMATION AND MEMBER CHARGES

| BUDGET | Processable Tonnes | Non- processable Tonnes | Total Tonnes | Rate \$ | Revenue \$ |
|--------------------------|-----------------------|-------------------------------|-----------------|------------|-------------------|
| <u>Waste</u> | | | | | |
| City of Joondalup | 52,501 | 11,411 | 63,912 | 123.00 | 7,861,176 |
| City of Wanneroo | 47,310 | 20,182 | 67,492 | 123.00 | 8,301,516 |
| City of Stirling | 140 | 1,120 | 1,260 | 123.00 | 154,980 |
| City of Perth | 14,199 | 65 | 14,264 | 123.00 | 1,754,472 |
| City of Vincent | 12,606 | 1,108 | 13,714 | 123.00 | 1,686,822 |
| Town of Cambridge | 8,330 | 1,771 | 10,101 | 123.00 | 1,242,423 |
| Town of Victoria Park | 11,400 | 1,334 | 12,734 | 123.00 | 1,566,282 |
| <u>Residue</u> | | | | | |
| BioVision | - | 44,628 | 44,628 | 123.00 | 5,489,244 |
| City of Wanneroo | - | 11,782 | 11,782 | 123.00 | 1,449,186 |
| <u>Other</u> | | | | | |
| City of Stirling | - | 2,348 | 2,348 | 140.00 | 328,720 |
| Closing balance | 146,486 | 95,749 | 242,235 | | 29,834,821 |

| ACTUAL | Processable Tonnes | Non- processable Tonnes | Total Tonnes | Rate* \$ | Revenue \$ |
|--------------------------|-----------------------|-------------------------------|-----------------|-------------|-------------------|
| <u>Waste</u> | | | | | |
| City of Joondalup | 52,033 | 12,185 | 64,218 | 122.99 | 7,898,377 |
| City of Wanneroo | 48,878 | 18,727 | 67,605 | 123.04 | 8,318,160 |
| City of Stirling | 140 | 1,120 | 1,260 | 123.89 | 156,096 |
| City of Perth | 14,479 | 64 | 14,543 | 123.00 | 1,788,804 |
| City of Vincent | 12,944 | 1,193 | 14,137 | 123.00 | 1,738,811 |
| Town of Cambridge | 8,369 | 1,625 | 9,994 | 123.00 | 1,229,347 |
| Town of Victoria Park | 11,550 | 1,527 | 13,077 | 122.91 | 1,607,287 |
| <u>Residue</u> | | | | | |
| BioVision | - | 45,414 | 45,414 | 123.00 | 5,585,963 |
| City of Wanneroo | - | 13,416 | 13,416 | 123.00 | 1,650,220 |
| <u>Other</u> | | | | | |
| City of Stirling | - | 2,348 | 2,348 | 140.00 | 328,728 |
| Closing balance | 148,393 | 97,619 | 246,012 | | 30,301,793 |

* Actual average tonnage rates may vary immaterially from the approved rate as a result of certain waste types being charged at the approved non-standard rates for that waste category.

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

26. FINANCIAL ACTIVITY INFORMATION AND MEMBER CHARGES (continued)

| | ACTUAL 2011/2012 \$ | BUDGET 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|-----------------------------------|---------------------------|---------------------------|---------------------------|
| <u>Make up of surplus funding</u> | | | |
| Cash | 12,815,269 | 12,337,996 | 12,974,521 |
| Receivables | 2,677,482 | 3,742,128 | 3,200,358 |
| Inventories | <u>12,079</u> | <u>62,213</u> | <u>16,088</u> |
| | 15,504,830 | 16,142,337 | 16,190,967 |
| <i>Less</i> | | | |
| Reserves – cash restricted | (8,039,721) | (6,388,652) | (7,614,599) |
| Sundry creditors and GST | (3,701,492) | (3,203,551) | (5,544,603) |
| Provisions | <u>-</u> | <u>(467,463)</u> | <u>-</u> |
| | (11,741,213) | (10,059,666) | (13,159,202) |
| | 3,763,617 | 6,082,671 | 3,031,765 |

27. COUNCILLORS' REMUNERATION

The following fees, expenses and allowances are to be paid to council members and the chairman:

| | | | |
|--|----------------|----------------|----------------|
| Meeting fees | 76,688 | 79,000 | 80,407 |
| Chairman's and Deputy Chairman's allowance | 7,496 | 7,500 | 9,000 |
| Conference expenses | 2,477 | 6,900 | 18,071 |
| Members' allowances | <u>11,998</u> | <u>15,000</u> | <u>11,955</u> |
| | 101,659 | 108,400 | 119,433 |

| | |
|------------------|------------------|
| ACTUAL | ACTUAL |
| 2011/2012 | 2010/2011 |

28. EMPLOYEE NUMBERS

The number of full-time equivalent employees at year end was:

| | |
|------|------|
| 36.9 | 39.1 |
|------|------|

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

ACTUAL
2011/2012

ACTUAL
2010/2011

29. EMPLOYEE REMUNERATION

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

Salary range

| | | |
|-----------------------|---|---|
| \$100,000 - \$109,999 | 1 | - |
| \$110,000 - \$119,999 | - | - |
| \$120,000 - \$129,999 | - | - |
| \$130,000 - \$139,999 | 1 | 1 |
| \$140,000 - \$149,999 | - | 1 |
| \$150,000 + | 1 | - |

30. FINANCIAL RISK MANAGEMENT

The MRC's activities expose it to a variety of financial risks, including, but not limited to, price risk, credit risk, liquidity risk and interest rate risk. The MRC's overall risk management focuses on the unpredictability of financial markets and seeks to minimise the effect of potentially adverse events on the financial performance of the MRC.

The MRC does not engage in transactions in foreign currencies and is therefore not subject to foreign currency risk. Financial risk management is carried out under policies approved by the Council.

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

The MRC held the following financial instruments at year end:

| | Carrying value | | Fair value | |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2011/2012 | 2010/2011 | 2011/2012 | 2010/2011 |
| | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Cash and equivalents | 12,815,269 | 12,974,521 | 12,815,269 | 12,974,521 |
| Receivables | 2,677,482 | 3,200,358 | 2,677,482 | 3,200,358 |
| | 15,492,751 | 16,174,879 | 15,492,751 | 16,174,879 |
| Financial liabilities | | | | |
| Payables | 3,898,666 | 6,047,209 | 3,898,666 | 6,047,209 |
| Borrowings | 14,877,028 | 17,012,270 | 14,877,028 | 17,012,270 |
| | 18,775,694 | 23,059,479 | 18,775,694 | 23,059,479 |

For cash and equivalents, receivables, payables, borrowings and held-to-maturity investments, carrying values are deemed to approximate fair value.



Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)

31(a) Cash and equivalents

The MRC's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. A monthly report is provided to Council summarising the cash and investment portfolio.

Cash and investments are subject to interest rate risk and credit risk. The MRC has entered into rolling 90 day fixed rate cash investments to partially mitigate the effects of interest rate risk. The MRC has a significant concentration of credit risk, given that its cash investments are all held with one counterparty, however the institution has a sound credit rating which is considered to sufficiently ameliorate any potential credit risk.

Given the quantum of funds invested, a 1% fluctuation in annualised interest rates would not have a material impact on the MRC.

31(b) Receivables

The MRC's material receivables are comprised of member council user fees and charges. These receivables are subject to a level of credit risk, however, given the counterparties, this is considered negligible. Significant exposures to individual counterparties are monitored on an ongoing basis.

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

The ageing profile of the MRC's receivables at year end was:

| | ACTUAL 2011/2012 \$ | ACTUAL 2010/2011 \$ |
|---------------------------------|---------------------------|---------------------------|
| Receivables within credit terms | 2,538,770 | 2,136,276 |
| Receivables overdue | 139,801 | 1,065,040 |
| Provisions for bad debts | <u>(1,089)</u> | <u>(958)</u> |
| | 2,677,482 | 3,200,358 |
| | % | % |
| Receivables within credit terms | 95 | 67 |
| Receivables overdue | <u>5</u> | <u>33</u> |
| | 100 | 100 |

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)

31(c) Payables and borrowings

Payables and borrowings are both subject to liquidity risk. In addition, one of the long-term borrowing facilities is subject to interest rate risk.

The MRC manages its liquidity risks by monitoring its cash flow requirements and liquidity levels on an ongoing basis and through maintaining an adequate cash buffer. In addition, the MRC has access to an overdraft facility to cover any short-term liquidity issues. Interest rate risk is managed through the negotiation of long term facilities and fixing interest rates where it is considered advantageous to do so.

The table below sets out the maturity profile of the MRC's payables and borrowings.

| | Due within 1 year \$ | Due between 1 and 5 years \$ | Due after 5 years \$ | Total contractual cash flow \$ | Carrying value \$ |
|---|----------------------------|--|----------------------------|---|-------------------------|
| 30 June 2012 | | | | | |
| Payables | 3,898,666 | - | - | 3,898,666 | 3,898,666 |
| Borrowings | 2,397,702 | 9,040,282 | 3,439,045 | 14,877,029 | 14,877,029 |
| | 6,296,368 | 9,040,282 | 3,439,045 | 18,775,695 | 18,775,695 |
| <i>Weighted average effective interest rate on borrowings</i> | 6.0% | 5.8% | 7.1% | | |
| 30 June 2011 | | | | | |
| Payables | 6,047,209 | - | - | 6,047,209 | 6,047,209 |
| Borrowings | 2,135,241 | 10,527,253 | 4,349,776 | 17,012,270 | 17,012,270 |
| | 8,182,450 | 10,527,253 | 4,349,776 | 23,059,479 | 23,059,479 |
| <i>Weighted average effective interest rate on borrowings</i> | 6.0% | 5.8% | 6.9% | | |

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

32. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

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

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

| | Title and topic | Issued | Applicable | Impact |
|------|---|----------|------------|---|
| i. | AASB 9 – Financial instruments | Dec 2009 | 1 Jan 2013 | Nil - The objective of this standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated this standard will have any material effect. |
| ii. | AASB 1053 - Application of Tiers of Australian Accounting Standards | Jun 2010 | 1 Jul 2013 | Nil – Due to its nature and statutory requirements the Council will be deemed a Tier 1 entity and will continue to prepare general purpose financial statements. |
| iii. | AASB 2009 - 12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] | Dec 2009 | 1 Jan 2011 | Nil – The revisions embodied in this standard relate to standards which do not apply to local government (ie AASB 8) or are largely editorial in nature and will have minimal effect (if any) on the accounting practice of the Council. |
| iv. | AASB 2009 - 11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] | Dec 2009 | 1 Jan 2013 | Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above). |

Notes to and Forming Part of the Financial statements for the year ended 30 June 2012

32. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

| | Title and topic | Issued | Applicable | Impact |
|-------|---|----------|------------|---|
| v. | <p>AASB 2010 - 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</p> <p>[AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]</p> | Jun 2010 | 1 Jul 2013 | Nil – None of these amendments will have any effect on the financial report as the standard does not apply in the case of general purpose financial statements. |
| vi. | <p>AASB 2010 - 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</p> <p>[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]</p> | Dec 2010 | 1 Jan 2013 | Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above). |
| vii. | <p>AASB 2010 - 8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]</p> | Dec 2010 | 1 Jan 2012 | Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council |
| viii. | <p>AASB 2010 - 10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters [AASB 2009- 11 & AASB 2010-7]</p> | Dec 2010 | 1 Jan 2013 | Nil – None of these amendments will have any effect on the financial report |