Audit New Zealand
Mana Arotake Aotearoa

Model Financial Statements

Te Motu District Council

2014/15

Model financial statements for a
Local Authority prepared under the Tier 1 and 2
Public Benefit Entity Accounting Standards

June 2015

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FOREWORD

I am pleased to introduce our first model financial statements for local authorities prepared under the new public benefit entity (PBE) accounting standards. The model financial statements also include information on the disclosure concessions for Tier 2 local authorities eligible to apply the reduced disclosure regime.

In advance of preparing the 30 June 2015 financial statements, local authorities will need to have assessed the implications for their financial statements of applying the new PBE accounting standards. Councils that have not yet completed this work will need to prioritise this to ensure that their year-end annual report and audit timeframes are not put at risk.

I encourage you to discuss the transition to the new PBE accounting standards further with your auditor if you have not done so recently.

Focus

The previous NZ IFRS (PBE)-based model financial statements have been updated to reflect changes arising from the adoption of the new Tier 1 and 2 PBE accounting standards. The main changes to the model in applying the new PBE accounting standards are explained on page 5.

The model financial statements have been prepared especially to help guide local authorities to prepare financial statements that comply with the new PBE accounting standards. The model may also assist in reducing the compliance costs of transitioning to and preparing PBE-compliant financial statements and contribute to an efficient financial statement audit.

The financial statements included in this model, including certain disclosure requirements of the Local Government Act 2002 and Local Government (Financial Reporting and Prudence) Regulations 2014, are only part of what local authorities are required to include in their annual report.

These model financial statements can be downloaded from our website **www.auditnz.govt.nz**.

Future updates

We will continue to update these model financial statements to reflect changes in the new PBE accounting standards and evolving good practice in applying them to local authorities.

We welcome any feedback on the application of this model to local authorities or any other comments that may help in future updates of the model financial statements. If you have any feedback or comments, please pass these to your Audit New Zealand Manager or Director.

Acknowledgements

I would like to thank the Audit New Zealand staff who have contributed to these model financial statements, particularly Moeed Temuri, Brett Story, Stephen Lewis, and Robert Cox of our Accounting Technical Team.

Stephen Walker
Executive Director
June 2015

ABOUT THE MODEL FINANCIAL STATEMENTS

Objective

The main objective of this model is to guide local authorities in preparing financial statements that comply with the new Tier 1 and 2 PBE accounting standards.

The model financial statements have been prepared using a fictitious local authority, Te Motu District Council (the Council). The Council has three subsidiaries, an associate, and a jointly controlled operation.

Tier 2 concessions

The model financial statements also identify by green highlighting those disclosures included in the model that are not required if an entity is able to apply the reduced disclosure regime (RDR). An entity may be able to apply additional disclosure concessions in preparing its financial statements that are not identified by the model, as the model does not include all possible disclosures required by the new PBE accounting standards.

Non-exchange and exchange revenue

The new PBE accounting standards include standards on exchange revenue (PBE IPSAS 9) and non-exchange revenue (PBE IPSAS 23). The new PBE accounting standards also include requirements to disclose certain information about exchange and non-exchange revenue and balances. Due to limited guidance in the new PBE accounting standards on determining whether a transaction is exchange or non-exchange in nature, it can sometimes be difficult to determine the appropriate standard to apply in accounting for some revenue streams.

In many cases, the timing of revenue recognition will be materially similar under either standard. However, this may not always be the case.

Entities will need to exercise their judgement in classifying transactions as either exchange or non-exchange and this classification will be more important if the timing of revenue recognition could be materially different between PBE IPSAS 9 and PBE IPSAS 23.

This model does not give prominence to presenting or disclosing transactions as exchange or non-exchange. We consider that there is generally little additional value in financial statements labelling revenue and balances as either exchange or non-exchange. However, it is important that the underlying revenue recognition materially complies with the new PBE accounting standards.

We intend to review the revenue related disclosures in future models to reflect any evolving good practice in this area.

Main updates to the model

The table below explains the main updates to the model since it was previously published in 2013.

Page number	Note number	Description of change
General	–	Disclosures not required by the RDR have been highlighted in green throughout the model.
General	–	Previous references to "income" have been relabelled to "revenue". Similarly, references to "comprehensive income" have been relabelled "comprehensive revenue and expense". There is no concept of income under the new PBE accounting standards.

Page number	Note number	Description of change
14	–	Statement of comprehensive revenue and expense: • The Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) updated the disclosure requirements for categories of revenue. A requirement in the Regulations is to disclose a single figure for rates in the statement of comprehensive revenue and expense. The previous regulation required a single figure to be disclosed for rates other than a targeted rate for water supply. For the 30 June 2015 financial statements, the rates related figure shall be presented in a manner consistent with the 2014/15 annual plan (i.e. the figure will either be a) rates; or b) rates, other than a targeted rate for water supply). Annual plans, long-term plans, and annual financial statements for periods starting on or after 1 July 2015 must provide a single figure for rates (i.e. including targeted rates for water supply). In the model, we have early adopted the new revenue presentation of the Regulations. We have also added in the rates revenue note disclosure of the amount of targeted rates for metered water supply as required by clause 5(5) of the Regulations. These changes are explained further in note 40. • The statement has been relabelled “statement of comprehensive revenue and expense” from “statement of comprehensive income”.
18	–	Statement of cash flows – Additional line items have been added within the operating cash flow section to better align with the revenue line items in the statement of comprehensive revenue and expense. These changes are explained further in note 40.
	Note 1	Statement of accounting policies – This statement has been amended as follows:
19		• Reporting entity – A narrative explaining the relevant legislation governing the Council’s operations has been added. This is a requirement of PBE IPSAS 1.150(c) for Tier 1 Councils.
19		• Basis of preparation – A disclosure has been added that the financial statements are prepared on the going concern basis. Appendix B of PBE IPSAS 1 includes such a disclosure in the illustrative disclosures.
19		• Basis of preparation – The reporting Tier of the Council has been disclosed. This is a requirement of PBE IPSAS 1.28.1(c) for Tier 1 and 2 Councils.
19		• Basis of preparation – A reference to the note that explains the adjustments arising on transition to the new PBE accounting standards has been added.
19		• Basis of preparation – Information about PBE standards issued and not yet effective has been disclosed.
21		• Revenue – The revenue accounting policies have been expanded from those previously disclosed. This includes more detailed policies for rates and for fees and user charges and also an accounting policy for grants received with conditions. Information on the basis of measuring the fair value of major classes of non-exchange revenue has also been added, as required by PBE IPSAS 23.107(b).
22		• Borrowing costs – This policy has been updated to remove the reference to the deferral of adopting NZ IAS 23 *Borrowing Costs (2007)*.
26		• Inventory – This policy has been updated so that inventory acquired in a non-exchange transaction is measured at fair value at the date of acquisition. This is the measurement basis required by PBE IPSAS 12.
27		• Service concession arrangement – An accounting policy has been added for the Council’s service concession arrangement.
28		• Intangible assets – An accounting policy has been added for carbon credits received for no cost.

Page number	Note number	Description of change
28 32	Note 1	• Impairment of property, plant, and equipment and intangible assets – The explanation of value in use has been updated to reflect the different approaches in determining the value in use of non-cash-generating assets specified in PBE IPSAS 21. References to revalued assets have been deleted, as the impairment accounting standards now scope out revalued assets. • Critical judgements in applying accounting policies – New disclosures have been added in relation to accounting for a suspensory loan and accounting for donated or vested land and buildings with use or return conditions.
33	Note 3	Rates – Some of the detailed rates remission information has been deleted and the rates remission figure is now presented as a separate line item within the table of rates.
34	Note 5	Fees and charges – A new note has been added that disaggregates the main categories of fees and charges. Construction revenue and rendering of services revenue has also been reclassified into this note from other revenue.
35	Note 7	Other revenue – The previously presented gains note has been removed with these items now presented within other revenue. Councils can however choose to still present gains separately.
38	Note 11	Cash and cash equivalents – Balances subject to restrictions has been disclosed, as required by PBE IPSAS 23.106(d).
38-40	Note 12	Receivables: • The amount of receivables from exchange and non-exchange transactions has been separately disclosed. PBE IPSAS 1 requires this to be disclosed in the statement of financial position. However, we consider that it will be rare that this is a material disclosure. Therefore, we have chosen to focus on providing a meaningful breakdown in the notes. We also note that the illustrative financial statements in PBE IPSAS 1 do not separately disclose receivables into exchange or non-exchange headings. • The carrying amount of receivables that would otherwise be past due or impaired whose terms have been renegotiated has been disclosed. This is a new requirement of PBE IPSAS 30.43(d). • Information about collateral and other credit enhancements has been disclosed for receivables that are past due or impaired. This is a new requirement of PBE IPSAS 30.44(c).
42	Note 14	Other financial assets – More detailed information has been provided about the Council's community loans, which are concessionary in nature. This is a new requirement of PBE IPSAS 30.37.
43	Note 15	Inventory – The carrying amount of inventory held for distribution measured at current replacement cost has been deleted, as this disclosure is no longer required. A single narrative for the write-down of inventory has been disclosed rather than disaggregating this information into "held for distribution inventory" and "commercial inventory".
45-52	Note 18	Property, plant, and equipment: • A new asset class has been created for the Council's service concession asset in relation to a sewerage scheme. This is a requirement of PBE IPSAS 32.13. • The core infrastructure assets disclosures required by the Local Government (Financial Reporting and Prudence) Regulations 2014 have been added to this note. This disclosure is required to be included in the financial statements. • Information about restrictions on title and work in progress has been updated to be disclosed on a class-of-asset basis, as required by PBE IPSAS 17.89. This information was previously permitted to be presented in aggregate.

Page number	Note number	Description of change
		• Information about the Council's service concession asset has been disclosed, as required by PBE IPSAS 32.32.
55	Note 23	Joint venture – Information about contingent assets arising from the Council's joint venture have been disclosed. This is a new requirement of PBE IPSAS 8.61.
56	Note 24	Payables and deferred revenue – The amount of payables from exchange and non-exchange transactions has been separately disclosed. PBE IPSAS 1 requires this to be disclosed in the statement of financial position. However, we consider that it will be rare that this is a material disclosure. Therefore, we have chosen to focus on providing a meaningful breakdown in the notes. We also note that the illustrative financial statements in PBE IPSAS 1 do not separately disclose payables into exchange or non-exchange headings. Information about the Council's suspensory loan has also been added.
56	Note 25	Borrowings and other financial liabilities : • A financial liability and associated disclosures in relation to the Council's service concession arrangement has been added. The financial instruments note 37 has been updated to reflect this. • The liability for financial guarantee contracts has been moved to this note from the provisions note as we consider it more appropriate to include financial guarantees in a financial instrument note.
61	Note 28	Equity – The asset revaluation reserve for the Council's service concession asset has now been separately presented.
64	Note 31	Capital commitments – Property, plant, and equipment commitments have been disaggregated to be disclosed on a class-of-assets basis as required by PBE IPSAS 17.89.
67	Note 33	Related party transactions – This note has been significantly amended due to the new related party standard, PBE IPSAS 20 *Related Party Disclosures*.
80-82	Note 40	Adjustments to the comparative year financial statements – This note has been updated to explain the adjustments that have arisen from new legislative disclosures and in transitioning to the new PBE accounting standards.
83-86	Appendix	The funding impact statements have been updated to include targeted rates for water supply within the target rates line as required by the Local Government (Financial Reporting and Prudence) Regulations 2014. Targeted rates for water supply were previously required to be included in the fees and charges line. This change only affects the 30 June 2015 funding impact statements of those local authorities that applied early the new targeted rates for metered water supply reporting requirements of the Local Government (Financial Reporting and Prudence) Regulations 2014 in preparing the 2014/15 annual plan. If a Council did not early adopt these new requirements in preparing the 2014/15 annual plan, it would continue to use the 2011 Regulations' format and include targeted rates for water supply in the line "fees, users charges, and targeted rates for water supply" in both the financial statements and funding impact statements of the 2014/15 annual report. Disclosures have also been added for rating base information and insurance of assets.

Content

Included in the model are:

- a statement of compliance;
- a statement of comprehensive revenue and expense;
- a statement of financial position;
- a statement of changes in equity;
- a statement of cash flows;

- notes comprising significant accounting policies and other explanatory notes; and
- illustrative funding impact statements, rating base information, and insurance information disclosures.

Schedule 10 of the Local Government Act 2002 (LGA) and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R) require specific disclosures to be included in the annual report. These model financial statements do not cover the full annual report and therefore do not cover all of these disclosures.

The status of the model in respect of each of these disclosures is as follows:

LGA Schedule 10 requirement	**Comment**
Clause 23 – Groups of activities	Not included in these model financial statements.
Clause 24 – Capital expenditure for groups of activities	Not included in these model financial statements.
Clause 25 – Statement of service provision	Not included in these model financial statements.
Clause 26 – Funding impact statement for groups of activities	Included in the Appendix to these model financial statements.
Clause 27 – Internal borrowing	Not included in these model financial statements as we prefer to cross reference to this information in the group of activities
Clause 28 – Council-controlled organisations	Not included in these model financial statements.
Clause 29 – Financial statements	Included in these model financial statements.
Clause 30 – Funding impact statement	Included in the Appendix to these model financial statements.
Clause 30A – Rating base information	Included in the Appendix to these model financial statements.
Clause 31 – Reserve Funds	Included in these model financial statements.
Clause 31A – Insurance of assets	Included in the Appendix to these model financial statements.
Clause 32 – Remuneration issues	Included in these model financial statements.
Clause 32A – Employee staffing levels and remuneration	Included in these model financial statements.
Clause 33 – Severance payments	Included in these model financial statements.
Clause 34 – Statement of compliance	Included in these model financial statements.
Clause 34A – Additional information to be included in annual report of unitary authority with local boards	Not included in these model financial statements.
Clause 35 – General (Maori contribution)	Not included in these model financial statements.
LG(FRP)R requirement	**Comment**
Part 1 – Financial Reporting: • (5) Information to be disclosed in financial statements. • (6) Information about core assets to be disclosed in financial statements in annual report. • (7) and (8) Form of funding impact statement and directions for preparation of funding impact statements.	 Included in these model financial statements. This is required to be disclosed in the financial statements. Included in these model financial statements. This is required to be disclosed in the financial statements. Included in the Appendix to these model financial statements.
Part 2 – Financial prudence	Not included in these model financial statements.

Not all of the accounting policies and notes will be applicable to each local authority. The model is not intended to cover all of the possible financial reporting issues that could arise in the sector. Although it is not practical for this model to cover all of the possible financial reporting issues that could arise, we have included a wide range of accounting policies and notes, including all those that occur commonly in the sector.

The model illustrates a possible financial statement format for a local authority. For example, the statement of comprehensive revenue and expense has been prepared by classifying expenses based on the nature of the expenditure. Alternatively, expenses could be classified based on their function. This is just one example where there may be more than one way to disclose the information required by the new PBE accounting standards.

While the model provides guidance on disclosure matters, it does not deal with the underlying accounting treatment. Local authorities will need to make choices about the accounting policies and presentation options appropriate for them.

The model does not address all the possible recognition, measurement, and disclosure requirements of the new PBE accounting standards. Local authorities should not use the model as a substitute for referring to individual PBE accounting standards applicable to their specific circumstances.

We have included references to specific standards in the left margin of the model.

Standards not covered by the model

The model does not consider the recognition, measurement, or disclosure requirements of the following standards:

- PBE IPSAS 10 *Financial Reporting in Hyperinflationary Economies*;
- PBE IPSAS 22 *Disclosure of Information About the General Government Sector*;
- PBE IAS 34 *Interim Financial Reporting*;
- PBE FRS 43 *Summary Financial Statements*;
- PBE FRS 45 *Service Concession Arrangements: Operator*; and
- PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRSs*.

Standards, interpretations, and amendments issued after 30 May 2015 are not included in the model financial statements.

Abbreviations used in the model

ACC	Accident Compensation Corporation
FBT	Fringe Benefit Tax
GST	Goods and Services Tax
IRD	Inland Revenue Department
LGA	Local Government Act 2002
LGFA	Local Government Funding Agency
LG(FRP)R	Local Government (Financial Reporting and Prudence) Regulations 2014
PBE	Public Benefit Entity
RDR	Reduced Disclosure Regime

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LGA Sch 10.34

STATEMENT OF COMPLIANCE[1]

The Council of Te Motu District Council hereby confirms that all statutory requirements in relation to the annual report[2], as outlined in the Local Government Act 2002, have been complied with.

[Signature]	[Signature]
Mayor	**Chief Executive**
29 October 2015	29 October 2015

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[1] Schedule 10, clause 34(2) of the LGA requires the statement of compliance to be signed by the mayor or chairperson of the local authority and the chief executive of the local authority.
[2] The financial statements are only part of what is required to be included in a local authority's annual report.
[3] Alternatively, a statement displaying components of the surplus/deficit (a statement of financial performance) directly followed by a second statement beginning with surplus/deficit and displaying components of other comprehensive revenue and expense (a statement of other comprehensive revenue and expense) can be presented (PBE IPSAS 1.22.1).
[4] Where there are discontinued operations, PBE IFRS 5.33(a) requires separate disclosure of the total post-tax gain or loss from discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.
[5] The statement of comprehensive revenue and expense has been prepared using the nature of expense classification. Alternatively, a Council can choose to present expenses based on the function of expense. Tier 1 Councils that classify expenses by function are required to disclose additional information on the nature of expenses, including depreciation and amortisation expense, and employee benefits expense (PBE IPSAS 1.115).
[6] Where an entity makes its approved budget publicly available, PBE IPSAS 1.21(e) requires a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements.
[7] PBE IPSAS 1.53 requires comparative information to be disclosed in respect of the previous year for all amounts reported in the financial statements. Comparative information shall also be included for narrative information when it is relevant to an understanding of the current year's financial statements.
[8] PBE IPSAS 23.106(a) requires, either in the statement of financial position or the notes, that entities disclose the amount of revenue from non-exchange transactions by major classes, showing separately: i) taxes, showing separately major classes of taxes; and ii) transfers, showing separately major classes of transfer revenue. Due to the difficulty in classifying revenue as either an exchange or non-exchange transaction and the separate labelling of revenue as exchange or non-exchange generally does not provide any additional useful information (and is therefore unlikely to be material), we have decided to not label revenue as exchange or non-exchange in the model financial statements. We have, however, separately disclosed the major classes of revenue streams in the notes to the financial statements.
[9] The Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) updated the disclosure requirements for categories of revenue. A requirement in the Regulations is to disclose a single figure for rates in the statement of comprehensive revenue and expense. The previous regulation required a single figure to be disclosed for rates other than a targeted rate for water supply. For the 30 June 2015 financial statements, the rates related figure shall be presented in a manner consistent with the 2014/15 annual plan (i.e. the figure will either be a) rates; or b) rates, other than a targeted rate for water supply). Annual plans, long-term plans, and annual financial statements for periods starting on or after 1 July 2015 must provide a single figure for rates (i.e. including targeted rates for water supply). Schedule 1 of the 2014 Regulation provides further information on the Regulation's transitional provisions.
[10] For-profit entities are required to group items presented in other comprehensive revenue and expense on the basis of whether they are potentially reclassifiable to surplus or deficit in the future (reclassification adjustments). Although PBEs are not required to make this disclosure, we consider the disclosure good practice.
[11] Tier 1 Councils are required to disclose the amount of income tax relating to each component of other comprehensive revenue and expense either in the statement of comprehensive revenue and expense or in the notes (PBE IPSAS 1.103.2).
[12] PBE IPSAS 1.148.1 requires an entity that has published general purpose prospective financial information for the period of the financial statements to present a comparison of the prospective financial information with the actual financial results being reported. Explanations for major variances shall be given.

PBE IPSAS 1.21(b)

TE MOTU DISTRICT COUNCIL
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2015[3,4,5]

Reference		Notes	Council Actual 2015 $000	Council Budget[6] 2015 $000	Council Actual[7] 2014 $000	Group Actual 2015 $000	Group Actual 2014 $000
PBE IPSAS 1.128	**Revenue[8]**						
LG(FRP)R 5(2)(a)	Rates[9]	3	17,768	17,956	15,265	17,760	15,258
LG(FRP)R 5(2)(c)	Subsidies and grants	4	2,316	1,666	1,524	2,316	1,524
LG(FRP)R 5(2)(b)	Development and financial contributions		571	560	111	571	20
PBE IPSAS 1.98.3	Fees and charges	5	4,478	4,035	2,963	5,679	3,900
PBE IPSAS 9.39(b)(iii)	Interest revenue	6	753	700	541	643	431
PBE IPSAS 1.98.3	Other revenue	7	5,550	4,089	4,622	5,311	4,439
PBE IPSAS 1.99.1(a)	*Total revenue*		31,436	29,006	25,026	32,280	25,572
PBE IPSAS 1.109	**Expenses**						
	Personnel costs	8	4,598	4,432	4,321	4,898	4,628
	Depreciation and amortisation expense	18-20	4,334	4,102	3,095	4,742	3,254
PBE IPSAS 1.99.1(b)	Finance costs	6	2,317	2,456	2,276	2,450	2,390
	Other expenses	9	16,116	14,949	17,948	16,236	18,147
PBE IPSAS 1.98.3	*Total expenses*		27,365	25,939	27,640	28,326	28,419
PBE IPSAS 1.99.1(c)	Share of associate's surplus/(deficit)	17	0	0	0	12	10
PBE IPSAS 1.99.1(f)	Surplus/(deficit) before tax		4,071	3,067	(2,614)	3,966	(2,837)
PBE IPSAS 1.99.1(d)	Income tax expense	10	0	0	0	72	62
PBE IPSAS 1.99.1(f)	**Surplus/(deficit) after tax**		**4,071**	**3,067**	**(2,614)**	**3,894**	**(2,899)**
PBE IPSAS 1.98.2(a)	*Surplus/(deficit) attributable to:*						
	Te Motu District Council		4,071	3,067	(2,614)	3,853	(2,958)
	Non-controlling interest		0	0	0	41	59
PBE IPSAS 1.103.1	**Other comprehensive revenue and expense**						
Good practice[10]	*Items that could be reclassified to surplus/(deficit)*						
PBE IPSAS 1.103.1	Financial assets at fair value through other comprehensive revenue and expense	28	(143)	238	129	(143)	129
PBE IPSAS 1.103.1	Cash flow hedges	28	120	0	162	162	162
PBE IPSAS 1.103.2	Tax on cash flow hedges[11]	28	0	0	0	(10)	0
Good practice	*Items that will not be reclassified to surplus/(deficit)*						
PBE IPSAS 1.103.1	Gain on property, plant, and equipment revaluations	28	2,541	0	0	2,541	0
PBE IPSAS 1.98.1(b)	*Total other comprehensive revenue and expense*		2,518	238	291	2,550	291
PBE IPSAS 1.98.1(c)	**Total comprehensive revenue and expense**		**6,589**	**3,305**	**(2,323)**	**6,444**	**(2,608)**
PBE IPSAS 1.98.2(b)	*Total comprehensive revenue and expense attributable to:*						
	Te Motu District Council		6,589	3,305	(2,323)	6,403	(2,667)
	Non-controlling interest		0	0	0	41	59

PBE IPSAS 1.148.1 Explanations of major variances against budget are provided in note 39.[12]

The accompanying notes form part of these financial statements.

Footnotes 3 to 12 are presented on the previous page.

PBE IPSAS 1.21(a)

TE MOTU DISTRICT COUNCIL
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015[13]

Reference		Notes	Council			Group	
PBE IPSAS 1.90, 93,128			**Actual 2015 $000**	**Budget 2015 $000**	**Actual 2014 $000**	**Actual 2015 $000**	**Actual 2014 $000**
	Assets						
PBE IPSAS 1.70,76	**Current assets**						
PBE IPSAS 1.88(i)	Cash and cash equivalents	11	957	2,574	1,048	4,376	4,115
PBE IPSAS 1.88(g),(h)	Receivables	12	4,557	3,361	2,314	4,337	2,447
PBE IPSAS 1.88(d)	Derivative financial instruments	13	98	0	74	130	74
PBE IPSAS 1.88(d)	Other financial assets	14	5,197	4,420	4,447	5,197	4,447
PBE IPSAS 1.89	Prepayments		21	0	18	20	18
PBE IPSAS 1.88(f)	Inventory	15	1,142	403	335	1,195	447
PBE IPSAS 1.88.1(a)	Non-current assets held for sale	16	1,700	0	0	1,700	0
PBE IPSAS 1.89	*Total current assets*		13,672	10,758	8,236	16,955	11,548
PBE IPSAS 1.70,76	**Non-current assets**						
PBE IPSAS 1.88(d)	Derivative financial instruments	13	408	0	162	408	162
PBE IPSAS 1.88(e)	Investment in associate	17	200	200	200	252	240
PBE IPSAS 1.88(d)	Other financial assets:						
LG(FRP)R 5(3)	– Investment in CCOs and other similar entities[14]		3,250	3,250	3,245	250	245
	– Investment in other entities		3,922	3,875	3,415	3,922	3,415
PBE IPSAS 1.88(d)	Total other financial assets	14	7,172	7,125	6,660	4,172	3,660
PBE IPSAS 1.88(a)	Property, plant, and equipment	18	219,452	217,937	215,036	223,852	219,247
PBE IPSAS 1.88(c)	Intangible assets	19	280	188	155	531	406
PBE IPSAS 1.89	Forestry assets	21	7,588	7,548	7,343	7,865	7,620
PBE IPSAS 1.88(b)	Investment property	22	8,092	7,421	8,040	8,092	8,040
PBE IPSAS 1.89	*Total non-current assets*		243,192	240,419	237,596	245,172	239,375
PBE IPSAS 1.89	**Total assets**		**256,864**	**251,177**	**245,832**	**262,127**	**250,923**
	Liabilities						
PBE IPSAS 1.70,80	**Current liabilities**						
PBE IPSAS 1.88(k),(j)	Payables and deferred revenue	24	3,195	3,480	3,860	4,669	4,989
PBE IPSAS 1.88(m)	Derivative financial instruments	13	262	0	25	262	25
PBE IPSAS 1.88(m)	Borrowings and other financial liabilities	25	8,889	6,061	3,220	9,889	3,220
PBE IPSAS 1.89	Employee entitlements	26	589	570	452	591	456
PBE IPSAS 1.88(l)	Provisions	27	472	26	462	472	462
PBE IPSAS 1.89	*Total current liabilities*		13,407	10,137	8,019	15,883	9,152

[13] PBE IPSAS 1.88 requires in the statement of financial position that separate line items be presented for recoverables from non-exchange transactions, receivables from exchange transactions, taxes and transfers payable, and payables under exchange transactions. We consider that it will be rare that this analysis will provide material information. Therefore, due to the current uncertainties about whether some transactions are exchange or non-exchange, we have chosen to focus on providing a meaningful breakdown in the notes. We also note that the illustrative financial statements in PBE IPSAS 1 do not separately disclose receivables and payables into exchange or non-exchange headings.

[14] Section 5(3) of the Local Government (Financial Reporting and Prudence) Regulations 2014 requires a Council's statement of financial position to specify the sum of the Council's investments in CCOs and entities listed in section 6(4) of the LGA. If a Council is unable to present a single CCO investment sum in the statement of financial position that also complies with PBE IPSAS 1 *Presentation of Financial Statements* (e.g. because a Council has an investment in a CCO that is an associate or jointly controlled entity that must be presented separately from other Council investments), we recommend disclosing the total CCO investment amount directly below the statement of financial position or in the notes to the financial statements.

PBE IPSAS 1.21(a)

TE MOTU DISTRICT COUNCIL
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015 (CONTINUED)

Reference		Notes	Council Actual 2015 $000	Council Budget 2015 $000	Council Actual 2014 $000	Group Actual 2015 $000	Group Actual 2014 $000
PBE IPSAS 1.90, 93,128							
PBE IPSAS 1.70,80	**Non-current liabilities**						
PBE IPSAS 1.88(k),(j)	Payables and deferred revenue	24	607	607	657	607	657
PBE IPSAS 1.88(m)	Derivative financial instruments	13	42	0	49	42	49
PBE IPSAS 1.88(m)	Borrowings and other financial liabilities	25	24,462	24,649	25,692	26,446	28,466
PBE IPSAS 1.89	Employee entitlements	26	293	280	243	309	259
PBE IPSAS 1.88(l)	Provisions	27	2,496	3,183	2,414	2, 496	2, 414
PBE IPSAS 1.89	Deferred tax liability	10	0	0	0	120	130
PBE IPSAS 1.89	*Total non-current liabilities*		27,900	28,719	28,845	30,020	31,975
PBE IPSAS 1.89	**Total liabilities**		**41,307**	**38,856**	**36,864**	**45,903**	**41,127**
PBE IPSAS 1.89	**Net assets (assets minus liabilities)**		**215,557**	**212,321**	**208,968**	**216,224**	**209,796**
PBE IPSAS 1.95	**Equity**						
PBE IPSAS 1.95(a)	Accumulated funds	28	159,273	157,941	154,344	159,038	154,327
PBE IPSAS 1.95(c)	Reserves	28	56,284	54,380	54,624	57,086	55,394
PBE IPSAS 1.88(o)	*Total equity attributable to the Council*		215,557	212,321	208,968	216,124	209,721
PBE IPSAS 1.88(n)	Non-controlling interest		0	0	0	100	75
PBE IPSAS 1.89	**Total equity**		**215,557**	**212,321**	**208,968**	**216,244**	**209,796**

PBE IPSAS 1.148.1 Explanations of major variances against budget are provided in note 39.

The accompanying notes form part of these financial statements.

PBE IPSAS 1.21(c)

TE MOTU DISTRICT COUNCIL
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

PBE IPSAS 1.128

Ref		Note	Council Actual 2015 $000	Council Budget 2015 $000	Council Actual 2014 $000	Group Actual 2015 $000	Group Actual 2014 $000
	Balance at 1 July		208,968	209,016	211,291	209,796	212,420
PBE IPSAS 1.118(a)	Total comprehensive revenue and expense for the year		6,589	3,305	(2,323)	6,444	(2,608)
	Dividends to non-controlling interest		0	0	0	(16)	(16)
	Balance at 30 June	28	**215,557**	**212,321**	**208,968**	**216,224**	**209,796**

PBE IPSAS 1.118(a)

Total comprehensive revenue and expense attributable to:

	Council Actual 2015 $000	Council Budget 2015 $000	Council Actual 2014 $000	Group Actual 2015 $000	Group Actual 2014 $000
Te Motu District Council	6,589	3,305	(2,323)	6,403	(2,667)
Non-controlling interest	0	0	0	41	59
Total comprehensive revenue and expense	6,589	3,305	(2,323)	6,444	(2,608)

PBE IPSAS 1.148.1 Explanations of major variances against budget are provided in note 39.

The accompanying notes form part of these financial statements.

PBE IPSAS 1.21(d)

TE MOTU DISTRICT COUNCIL
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

PBE IPSAS 1.128

Reference		Notes	Council			Group	
			Actual 2015 $000	Budget 2015 $000	Actual 2014 $000	Actual 2015 $000	Actual 2014 $000
PBE IPSAS 2.18,22,27	**Cash flows from operating activities**						
	Receipts from rates revenue		17,624	17,985	15,338	17,616	16,333
	Subsidies and grants received		2,016	1,666	1,924	2,016	1,924
	Development and financial contributions received		571	560	111	571	20
	Fees and charges received		4,078	3,958	3,374	5,578	4,274
PBE IPSAS 2.40	Interest received		753	541	541	643	541
PBE IPSAS 2.40	Dividends received		180	160	160	116	96
	Receipts from other revenue		890	2,115	2,744	1,559	1,623
	Payments to suppliers[15]		(16,717)	(18,369)	(19,841)	(17,366)	(20,119)
	Payments to employees		(4,452)	(4,013)	(3,000)	(4,627)	(3,106)
PBE IPSAS 2.40	Interest paid		(2,548)	(2,389)	(2,399)	(3,042)	(2,389)
PBE IPSAS 2.44	Income tax paid		0	0	0	(90)	(71)
	GST (net)		(95)	(61)	50	(78)	65
	Net cash flow from operating activities	29	2,300	2,153	(998)	2,896	(809)
PBE IPSAS 2.18,25	**Cash flows from investing activities**						
	Receipts from sale of property, plant, and equipment		1,479	571	2,053	1,479	2,053
	Receipts from sale of intangible assets		0	0	120	0	120
	Receipts from sale of investments		11,645	10,443	9,647	11,721	9,697
	Purchase of property, plant, and equipment[16]		(6,025)	(6,610)	(2,368)	(6,215)	(2,531)
	Purchase of intangible assets		(256)	(232)	0	(256)	0
	Purchase of investment property		(1,026)	0	0	(1,026)	0
	Acquisition of investments		(12,857)	(9,683)	(9,797)	(12,987)	(9,847)
	Net cash flow from investing activities		(7,040)	(5,511)	(345)	(7,284)	(508)
PBE IPSAS 2.18,26	**Cash flows from financing activities**						
	Proceeds from borrowings		5,078	2,950	2,950	5,078	2,950
	Repayment of borrowings		(2,895)	(717)	(1,922)	(2,879)	(1,906)
	Payments of principal for finance leases		(28)	(28)	(28)	(28)	(28)
PBE IPSAS 2.40	Dividends paid		0	0	0	(16)	(16)
	Net cash flow from financing activities		2,155	2,205	1,000	2,155	1,000
	Net (decrease)/increase in cash, cash equivalents, and bank overdrafts		(2,585)	(1,153)	(343)	(2,233)	(317)
	Cash, cash equivalents, and bank overdrafts at the beginning of the year		751	478	1,094	3,818	4,135
	Cash, cash equivalents, and bank overdrafts at the end of the year	11	**(1,834)**	**(675)**	**751**	**1,585**	**3,818**

PBE IPSAS 2.54 — Equipment totalling $0 (2014 $81,000) was acquired by means of finance leases during the year.

PBE IPSAS 1.148.1 — Explanations of major variances against budget are provided in note 39.

The accompanying notes form part of these financial statements.

[15] We consider it good practice to separately disclose cash outflows from payments to employees and cash outflows from payments to suppliers, although the amounts can be presented in aggregate.

[16] We consider it good practice to separately disclose cash flows arising from the acquisition and disposal of property, plant, and equipment and intangible assets. Presenting these cash flows separately provides readers of the financial statements with a clearer linkage between the property, plant, and equipment and intangible asset movement schedules and cash flows arising from acquisitions and disposals.

PBE IPSAS 1.21(f),127,128

TE MOTU DISTRICT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES[17,18]

REPORTING ENTITY

PBE IPSAS 1.150(a),(c)

Te Motu District Council (the Council) is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

PBE IPSAS 6.62(a),64
PBE IPSAS 20.25

The group consists of the ultimate parent, Te Motu District Council, and its subsidiaries, Te Motu Holdings Limited (100% owned), Te Motu Civic Construction Limited (80% owned), and Te Motu Properties Limited (100% owned). The Council's 39% equity share of its associate Te Motu Quarries Limited is equity accounted. The Council's subsidiaries and Te Motu Quarries Limited are incorporated and domiciled in New Zealand.

PBE IPSAS 1.150(b)

The Council and group provides local infrastructure, local public services, and performs regulatory functions to the community. The Council does not operate to make a financial return.

PBE IPSAS 1.28.1(b)

The Council has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

PBE IPSAS 1.63(a)-(c)
PBE IPSAS 14.26

The financial statements of the Council and group are for the year ended 30 June 2015. The financial statements were authorised for issue by Council on 29 October 2015.

PBE IPSAS 1.127(a)

BASIS OF PREPARATION

Good practice
PBE IPSAS 1 Appendix B

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

PBE IPSAS 1.28.1(a)

The financial statements of the Council and group have been prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

PBE IPSAS 1.28.1(c),28.2

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards. *[Councils that report in accordance with the Tier 2 PBE accounting standards shall also disclose the criteria that establish them as eligible to report in accordance with those standards].*

PBE IPSAS 1.28

These financial statements comply with PBE Standards.

PBE FRS 46.40(a)

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. The material adjustments arising on transition to the new PBE accounting standards are explained in note 40.

Presentation currency and rounding

PBE IPSAS 1.63(d),(e)

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000).

Standards issued and not yet effective and not early adopted

PBE IPSAS 3.35,36

In May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. The Council has applied these standards in preparing the 30 June 2015 financial statements.

In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not-for-profit sector. These updated standards apply to PBEs with reporting periods beginning on or after 1 April 2015. The Council will apply these updated standards in preparing its 30 June 2016 financial statements. The Council expects that there will be minimal or no change in applying these updated accounting standards.

[17] The going concern concept is assumed when preparing financial statements. If those responsible for preparing the financial statements are aware of conditions or events that cast doubt over the ability of the entity to continue as a going concern, those facts shall be disclosed. If the financial statements are not prepared on a going concern basis, that fact shall also be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern (PBE IPSAS 1.38).

[18] PBE IPSAS 1.150 requires the following information to be included in the annual report, if not disclosed elsewhere in information published with the financial statement: domicile and legal form of the entity and the jurisdiction in which it operates, description of the entity's operations and principal activities, and reference to the relevant legislation governing the entity's operations. These disclosures are not required by the RDR.

PBE IPSAS 1.132 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**[19]

PBE IPSAS 1.132(c) **Basis of consolidation**

PBE IPSAS 6.43,45 The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, and expenses of entities in the group on a line-by-line basis. All intragroup balances, transactions, revenues, and expenses are eliminated on consolidation.

Subsidiaries

PBE IPSAS 6.20,28,30 The Council consolidates in the group financial statements all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Council or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.

PBE IFRS 3.18,32,34 The Council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by the Council. If the consideration transferred is lower than the net fair value of the Council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

PBE IPSAS 6.64(c) The investment in subsidiaries is carried at cost in the Council's parent entity financial statements.

Associate

PBE IPSAS 7.7,17 The Council's associate investment is accounted for in the group financial statements using the equity method. An associate is an entity over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount in the group financial statements is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment in the group financial statements.

PBE IPSAS 7.35,36 If the share of deficits of an associate equals or exceeds its interest in the associate, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the Council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

PBE IPSAS 7.28 Where the group transacts with an associate, surpluses or deficits are eliminated to the extent of the group's interest in the associate.

Dilution gains or losses arising from investments in associates are recognised in the surplus or deficit.

PBE IPSAS 6.64(c) The investment in the associate is carried at cost in the Council's parent entity financial statements.

Joint venture[20]

PBE IPSAS 8.6 A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. Joint control is the agreed sharing of control over an activity.

PBE IPSAS 8.19 For jointly controlled operations, the Council and group recognises in its financial statements the assets it controls, the liabilities and expenses it incurs, and the share of revenue that it earns from the joint venture.

PBE IPSAS 23.107(a),(b) **Revenue**

PBE IPSAS 9.39(a) Revenue is measured at fair value.

The specific accounting policies for significant revenue items are explained below:

[19] Entities are required to disclose those accounting policies that are relevant to an understanding of the financial statements (PBE IPSAS 1.132(c)). The materiality of transactions should also be considered in deciding what accounting policies to disclose. In this model, we have chosen to disclose a comprehensive range of accounting policies to provide guidance to the sector. An entity will not need to disclose all the accounting policies included in this model if the transactions associated with a particular policy are immaterial.

[20] There are two further joint venture classifications: jointly controlled entities and jointly controlled assets. Possible accounting policies for these categories are:

- *Jointly controlled entities* – The group recognises its interest in jointly controlled entities using the equity method. The investment in a jointly controlled entity is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the surplus or deficit of the jointly controlled entity after the date of acquisition. The group's share of the surplus or deficit of the jointly controlled entity is recognised in the surplus or deficit. Investments in jointly controlled entities are carried at cost in the Council's parent entity financial statements.
- *Jointly controlled assets* – For jointly controlled assets, the Council recognises in its financial statements its share of jointly controlled assets, the liabilities and expenses it incurs, its share of liabilities and expenses incurred jointly, and revenue from the sale or use of its share of the output of the joint venture.

Rates revenue

The following policies for rates have been applied:

PBE IPSAS 23.107(b)

- General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.
- Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.
- Rates collected on behalf of the Te Motu Regional Council (TMRC) are not recognised in the financial statements, as the Council is acting as an agent for the TMRC.

Development and financial contributions[21]

Development and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise, development and financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide, the service.

New Zealand Transport Agency roading subsidies

The Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other grants received

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Building and resource consent revenue

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

Entrance fees

Entrance fees are fees charged to users of the Council's local facilities, such as the zoo, pools, museum, and gallery. Revenue from entrance fees is recognised upon entry to such facilities.

Landfill fees

Fees for disposing of waste at the Council's landfill are recognised as waste is disposed by users.

Provision of commercially based services

Revenue derived through the provision of services to third parties in a commercial manner is recognised in proportion to the stage of completion at balance date.

Sales of goods

Revenue from the sale of goods is recognised when a product is sold to the customer.

Infringement fees and fines

PBE IPSAS 23.107(b)

Infringement fees and fines mostly relate to traffic and parking infringements and are recognised when the infringement notice is issued. The fair value of this revenue is determined based on the probability of collecting fines, which is estimated by considering the collection history of fines over the preceding 2-year period.

Vested or donated physical assets

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

PBE IPSAS 23.107(b)

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (e.g. land must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects that it will need to return or pass the asset to another party.

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[21] In cases where contributions are collected in advance to fund a service that is not currently provided in an area, the contribution is initially recognised as revenue in advance. For example, where no water supply is available in an area and a new water supply scheme is planned that will be funded in part from the development contributions.

Donated and bequeathed financial assets

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability released to revenue as the conditions are met (e.g. as the funds are spent for the nominated purpose).

Housing New Zealand suspensory loan

The Council considers the suspensory loan from Housing New Zealand is in substance a grant with conditions and has recognised the funds received as a liability and releases the liability to revenue on a straight-line basis over the 20-year term of the agreement.

Interest and dividends

Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

Dividends are recognised when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the cost of the investment.

PBE IPSAS 1.132(c) **Construction contracts**

PBE IPSAS 11.30 Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to balance date as a percentage of total estimated costs for each contract.

PBE IPSAS 11.23 Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract, and an allocation of overhead expenses incurred in connection with the group's construction activities in general.

PBE IPSAS 11.44 An expected loss on construction contracts is recognised immediately as an expense in the surplus or deficit.

PBE IPSAS 11.40 Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred. When it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

PBE IPSAS 11.54,55 Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised surpluses less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus surpluses less losses, the net amounts are presented as a liability.

PBE IPSAS 1.132(c) **Borrowing costs**

PBE IPSAS 5.17,40(a) Borrowing costs are recognised as an expense in the period in which they are incurred.

PBE IPSAS 1.132(c) **Grant expenditure**

PBE IPSAS 19 IG18.1 Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

PBE IPSAS 19 IG18.2 Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant. The Council's grants awarded have no substantive conditions attached.

PBE IPSAS 1.132(c) **Foreign currency transactions**

PBE ISPAS 4.24,32 Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ$ (the functional currency) using the spot exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

PBE IPSAS 1.132(c) **Income tax**

PBE IAS 12.6 Income tax expense includes components relating to both current tax and deferred tax.

PBE IAS 12.5,46 Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

PBE IAS 12.5 Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.

PBE IAS 12.47,51 Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

PBE IAS 12.15,24 Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

PBE IAS 12.15,24 Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

PBE IAS 12.58,61A	Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.
PBE IPSAS 1.132(c)	**Leases**
	Finance leases
PBE IPSAS 13.8	A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.
PBE IPSAS 13.28	At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item and the present value of the minimum lease payments.
PBE IPSAS 13.34	The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.
PBE IPSAS 13.36	The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.
	Operating leases
PBE IPSAS 13.8	An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.
PBE IPSAS 13.42	Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.
PBE IPSAS 13 A5	Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.
PBE IPSAS 2.57	**Cash and cash equivalents**
	Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.
	Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.
PBE IPSAS 30.25	**Receivables**
PBE IPSAS 29.45,48	Receivables are recorded at their face value, less any provision for impairment.
PBE IPSAS 30.25	**Derivative financial instruments and hedge accounting**
	Derivative financial instruments are used to manage exposure to foreign exchange arising from the Council's operational activities and interest rate risks arising from the Council's financing activities. In accordance with its treasury policy, the Council does not hold or issue derivative financial instruments for trading purposes.
PBE IPSAS 29.45,48,49	Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.
PBE IPSAS 29.64 (a)	The associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.
PBE IPSAS 29.96(a),(b)	The Council and group designates certain derivatives as either: • hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or • hedges of highly probable forecast transactions (cash flow hedge).
PBE IPSAS 29.98	The Council and group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council and group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.
PBE IPSAS 30.25	The full fair value of a hedge accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months, and as current if the remaining maturity of the hedged item is less than 12 months.
PBE IPSAS 30.25	The full fair value of a non-hedge accounted foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date; otherwise, foreign exchange derivatives are classified as non-current. The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.
PBE IPSAS 29.99	*Fair value hedge*
	The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the surplus or deficit. Fair value hedge accounting is applied only for hedging fixed interest risk on borrowings.

PBE IPSAS 29.103	If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the surplus or deficit over the period to maturity.
	Cash flow hedge
PBE IPSAS 29.106	The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive revenue and expense, and the ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of "finance costs".
PBE IPSAS 29.108	If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive revenue and expense are reclassified into the surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects the surplus or deficit. However, if it is expected that all or a portion of a loss recognised in other comprehensive revenue and expense will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the surplus or deficit.
PBE IPSAS 29.109	When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognised in other comprehensive revenue and expense will be included in the initial cost or carrying amount of the asset or liability.
PBE IPSAS 29.112	If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective is reclassified from equity to the surplus or deficit.
PBE IPSAS 30.25	**Other financial assets**
PBE IPSAS 29.45	Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.
PBE IPSAS 29.16,19,20,40	Purchases and sales of financial assets are recognised on trade-date, the date on which the Council and group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council and group has transferred substantially all the risks and rewards of ownership.
PBE IPSAS 29.10,47	Financial assets are classified into the following categories for the purpose of measurement:[22] • fair value through surplus or deficit; • loans and receivables; • held-to-maturity investments; and • fair value through other comprehensive revenue and expense.
	The classification of a financial asset depends on the purpose for which the instrument was acquired.
	Financial assets at fair value through surplus or deficit[23]
PBE IPSAS 29.10	Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied.
	Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.
PBE IPSAS 29.48,64(a)	After initial recognition, financial assets in this category are measured at their fair values with gains or losses on remeasurement recognised in the surplus or deficit.
	Loans and receivables
PBE IPSAS 29.10	Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

[22] The exact names as prescribed in PBE IPSAS 29 are not required to be used. Other descriptors can be used. For example, "fair value through other comprehensive revenue and expense" may better describe a local authority's intentions than the PBE IPSAS 29 title of "available-for-sale". Similar investments could be categorised differently, depending on the purposes for which they were acquired.

[23] The fair value through surplus or deficit category has two sub-categories: financial assets held for trading, and those designated at fair value through surplus or deficit at initial recognition. PBE IPSAS 30 AG5 (a) (ii) requires the disclosure of the criteria an entity uses when designating financial assets into the fair value through surplus or deficit category at initial recognition.

PBE IPSAS 29.48(a),65	After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.
PBE IPSAS 29 AG84-A90	Loans to community organisations made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The difference between the face value and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant expense. The loans are subsequently measured at amortised cost using the effective interest method.
	Held-to-maturity investments[24]
PBE IPSAS 29.10	Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.
PBE IPSAS 29.48(b),65	After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.
	Fair value through other comprehensive revenue and expense
PBE IPSAS 29.10 PBE IPSAS 30 AG5(b)	Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. The Council and group includes in this category: • investments that it intends to hold long-term but which may be realised before maturity; and • shareholdings that it holds for strategic purposes.
PBE IPSAS 29.48,64(b)	These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.
PBE IPSAS 29.64(b)	On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.
	Impairment of financial assets
	Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.
	Loans and receivables, and held-to-maturity investments
PBE IPSAS 29.72 PBE IPSAS 30 AG5	Impairment is established when there is evidence that the Council and group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government bonds, and community loans, are recognised directly against the instrument's carrying amount.
	Financial assets at fair value through other comprehensive revenue and expense
PBE IPSAS 29.70	For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.
PBE IPSAS 29.68	For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are objective indicators that the asset is impaired.
PBE IPSAS 29.76,77	If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.
PBE IPSAS 29.78	Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.
PBE IPSAS 29.79	If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

[24] Shares cannot be classified in the held-to-maturity category because they have an indefinite life.

PBE IPSAS 12.47(a)	**Inventory**
PBE IPSAS 12.17,35	Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted, when applicable, for any loss of service potential.
PBE IPSAS 12.16	Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.
PBE IPSAS 12.15	Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value.
PBE IPSAS 12.44	The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.
PBE IPSAS 16.71	When land held for development and future resale is transferred from investment property/property, plant, and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost.
	Costs directly attributable to the developed land are capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant, and equipment.
PBE IPSAS 1.132(c)	**Non-current assets held for sale**
PBE IFRS 5.6 PBE IFRS 5.15	Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.
PBE IFRS 5.20	Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.
PBE IFRS 5.21	Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.
PBE IFRS 5.25	Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.
PBE IPSAS 1.132(c)	**Property, plant, and equipment**
	Property, plant, and equipment consist of:
	Operational assets – These include land, buildings, landfill post-closure, library books, plant and equipment, and motor vehicles.
	Restricted assets – Restricted assets are mainly parks and reserves owned by the Council and group that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
	Infrastructure assets – Infrastructure assets are the fixed utility systems owned by the Council and group. Each asset class includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations.
PBE IPSAS 17.88(a)	Land (operational and restricted) is measured at fair value, and buildings (operational and restricted), library books, and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.
	Revaluation
PBE IPSAS 17.88(a)	Land and buildings (operational and restricted), library books, and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.
PBE IPSAS 17.44	The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.
PBE IPSAS 17.56	Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.
PBE IPSAS 17.54,55	The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.
	Additions
PBE IPSAS 17.14	The cost of an item of property, plant, and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.
	Work in progress is recognised at cost less impairment and is not depreciated.
PBE IPSAS 17.26,27	In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

PBE IPSAS 17.57,83,86	*Disposals* Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.
	Subsequent costs
PBE IPSAS 17.14	Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.
PBE IPSAS 17.23,24	The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.
PBE IPSAS 17.88(b),(c)	*Depreciation*[25] Depreciation is provided on a straight-line basis on all property, plant, and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings	40 to 100 years	(1% to 2.5%)
Landfill post-closure	40 years	(2.5%)
Plant and equipment	5 years	(20%)
Motor vehicles	5 years	(20%)
Library books	5 years	(20%)
Infrastructural assets		
Roading network		
Top surface (seal)	5 to 18 years	(5.5% to 20%)
Pavement (base course)		
Sealed	25 to 60 years	(1.6% to 4%)
Unsealed	5 to 15 years	(6.6% to 20%)
Formation	-	(not depreciated)
Culverts	60 years	(1.6%)
Footpaths	80 years	(1.25%)
Kerbs	50 years	(2%)
Signs	10 to 15 years	(6.6% to 10%)
Streetlights	20 to 30 years	(3.3% to 5%)
Bridges	80 to 100 years	(1% to 1.25%)
Water system		
Pipes	60 to 80 years	(1.25% to 1.6%)
Valves, hydrants	25 years	(4%)
Pump stations	10 to 60 years	(1.6% to 10%)
Tanks	80 years	(1.25%)
Sewerage system, including service concession asset sewerage facility		
Pipes	60 to 80 years	(1.25% to 1.6%)
Manholes	50 years	(2%)
Treatment plant	10 to 80 years	(1.25% to 10%)
Drainage network		
Pipes	70 to 90 years	(1.1% to 1.4%)
Manholes, cesspits	50 years	(2%)

PBE IPSAS 17.67	The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.
	Service concession arrangement
PBE IPSAS 32.8	The Council may acquire infrastructural assets by entering into a service concession arrangement (SCA) with a private operator to build, finance, and operate an asset over a specified period.

[25] The useful lives and depreciation rates that have been listed above are only illustrative. Each local authority will need to set these based on their specific circumstances.

PBE IPSAS 32.11-15	Assets acquired through an SCA are initially recognised at their fair value, with a corresponding liability. The asset is subsequently measured following the accounting policies above for property, plant, and equipment.
PBE IPSAS 32.21-23	The Council has only entered into SCAs whereby the Council pays for the services provided by the operator. The monthly payments to the operator are recognised according to their substance as a reduction in the liability for the build of the asset, a finance expense, and an expense for charges for services provided by the operator.
PBE IPSAS 1.132(c)	**Intangible assets**
	Goodwill
	Goodwill on acquisition of businesses and subsidiaries is included in "intangible assets". Goodwill on acquisition of associates is included in "investments in associates" and is tested for impairment as part of the overall investment balance.
PBE IPSAS 26.90.1	Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.
	Software acquisition and development
PBE IPSAS 31.34,35	Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.
PBE IPSAS 31.64,65	Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.
PBE IPSAS 31.36,65,67	Staff training costs are recognised in the surplus or deficit when incurred.
	Costs associated with maintaining computer software are recognised as an expense when incurred.
PBE IPSAS 31 AG8	Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.
	Easements
	Easements are recognised at cost, being the costs directly attributable to bringing the asset to its intended use. Easements have an indefinite useful life and are not amortised, but are instead tested for impairment annually.
	Carbon credits
PBE IPSAS 31.31	Purchased carbon credits are recognised at cost on acquisition. Free carbon credits received from the Crown are recognised at fair value on receipt. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.
	Amortisation
PBE IPSAS 31.96,117(b)	The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.
PBE IAS 38.117(a)	The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:
	Computer software — 3 to 5 years — 20 to 33.3%
PBE IPSAS 1.132(c)	**Impairment of property, plant, and equipment and intangible assets**
PBE IPSAS 21.26A PBE IPSAS 26.23.1	Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, and goodwill, are not subject to amortisation and are tested annually for impairment.
PBE IPSAS 21.26 PBE IPSAS 26.22	Property, plant, and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.
PBE IPSAS 21.35 PBE IPSAS 26.31	An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.
PBE IPSAS 21.52,54 PBE IPSAS 26.72,73	If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.
	Value in use for non-cash-generating assets
PBE IPSAS 21.16-21 PBE IPSAS 26.14-18	Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.
PBE IPSAS 21.44-50	For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.
	Value in use for cash-generating assets
PBE IPSAS 21.16-21 PBE IPSAS 26.14-18	Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

PBE IPSAS 26.43-70	The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.
PBE IPSAS 1.132(c)	**Forestry assets**
PBE IPSAS 27.24,45	Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. Fair value is determined based on the present value of expected future cash flows discounted at a current market determined rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs, and silvicultural costs and takes into consideration environmental, operational, and market restrictions.
PBE IPSAS 27.30	Gains or losses arising on initial recognition of forestry assets at fair value less costs to sell and from a change in fair value less costs to sell are recognised in the surplus or deficit.
	Forestry maintenance costs are recognised in the surplus or deficit when incurred.
PBE IPSAS 1.132(c)	**Investment property**
PBE IPSAS 16.7	Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.
PBE IPSAS 16.26	Investment property is measured initially at its cost, including transaction costs.
PBE IPSAS 16.42,86(a)	After initial recognition, all investment property is measured at fair value at each reporting date.
PBE IPSAS 16.44	Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.
PBE IPSAS 30.25	**Payables**
PBE IPSAS 29.45,49	Short-term creditors and other payables are recorded at their face value.
PBE IPSAS 30.25	**Borrowings**
PBE IPSAS 29.45,49	Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.
PBE IPSAS 1.80	Borrowings are classified as current liabilities unless the Council or group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.
PBE IPSAS 1.132(c)	**Employee entitlements**
	Short-term employee entitlements
PBE IPSAS 25.13	Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.
PBE IPSAS 25.17	A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.
PBE IPSAS 25.20	A liability and an expense are recognised for bonuses where the Council or group has a contractual obligation or where there is a past practice that has created a constructive obligation.
	Long-term employee entitlements
PBE IPSAS 25.147-152	Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on: • likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and • the present value of the estimated future cash flows.
Good practice	*Presentation of employee entitlements*
PBE IPSAS 1.80	Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.
PBE IPSAS 1.132(c)	**Superannuation schemes**
PBE IPSAS 25.55	*Defined contribution schemes*
	Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.
PBE IPSAS 25.33(b)(i)	*Defined benefit schemes*
	The Council makes employer contributions to the DBP Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

PBE IPSAS 25.33(b)(ii)	Insufficient information is available to use defined benefit plan accounting, as it is not possible to determine from the terms of the scheme the extent to which the scheme's surplus or deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme. Further information on this scheme is disclosed in note 32.
PBE IPSAS 1.132(c)	**Provisions**
PBE IPSAS 19.22	A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
PBE IPSAS 19.53,56	Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".
	ACC Accredited Employers Programme
PBE IFRS 4.37(a)	The Council belongs to the ACC Accredited Employers Programme (the "Full Self Cover Plan") whereby the Council accepts the management and financial responsibility for employee work-related illnesses and accidents. Under the programme, the Council is liable for all its claims costs for a period of two years after the end of their cover period in which the injury occurred. At the end of the two-year period, the Council pays a premium to ACC for the value of residual claims, and from that point the liability for ongoing claims passes to ACC.
	The liability for the ACC Accredited Employers Programme is measured using actuarial techniques at the present value of expected future payments to be made in respect of the employee injuries and claims up to the balance date. Consideration is given to anticipated future wage and salary levels and experience of employee claims and injuries. Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely to possible, the estimated future cash outflows.
	Financial guarantee contracts
PBE IPSAS 29.10,AG4	A financial guarantee contract is a contract that requires the Council or group to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due.
PBE IPSAS 29.45, AG92-97	Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or the probability that the Council will be required to reimburse a holder for a loss incurred discounted to present value. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee.
PBE IPSAS 29.49(c)	Financial guarantees are subsequently measured at the higher of: • the present value of the estimated amount to settle the guarantee obligation if it is probable there will be an outflow to settle the guarantee; and • the amount initially recognised less, when appropriate, cumulative amortisation as revenue.
Good practice	**Equity**
	Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components. • accumulated funds; • restricted reserves; • property revaluation reserve; • fair value through other comprehensive revenue and expense reserve; and • cash flow hedge reserve.
PBE IPSAS 1.95(c)	*Restricted reserves*
	Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.
	Restricted reserves include those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.
	Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

	Property revaluation reserve
PBE IPSAS 1.95(c)	This reserve relates to the revaluation of property, plant, and equipment to fair value.
	Fair value through other comprehensive revenue and expense reserve
PBE IPSAS 1.95(c)	This reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expense.
	Cash flow hedge reserve
PBE IPSAS 1.95(c)	This reserve comprises the effective portion of the cumulative net change in the fair value of derivatives designated as cash flows hedges.
PBE IPSAS 1.132(c)	**Goods and services tax**
	All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.
	The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.
	The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.
	Commitments and contingencies are disclosed exclusive of GST.
Good practice	**Budget figures**
	The budget figures are those approved by the Council in its 2014/15 annual plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.
Good practice	**Cost allocation**
	The cost of service for each significant activity of the Council has been derived using the cost allocation system outlined below.
	Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.
	Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers, and floor area.
PBE IPSAS 1.140	**Critical accounting estimates and assumptions**[26]
	In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.
	Infrastructural assets
	Note 18 provides information about the estimates and assumptions applied in determining the fair value of infrastructural assets.
	Landfill aftercare provision
	Note 27 provides information about the estimates and assumptions surrounding the landfill aftercare provision.
PBE IPSAS 1.137	**Critical judgements in applying accounting policies**
	Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2015:
	Classification of property
	The Council owns a number of properties held to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of the Council's social housing policy. The properties are therefore accounted for as property, plant, and equipment rather than as investment property.
	The Council owns unoccupied land that had previously been occupied by the Council depot, which was classified as property, plant, and equipment. This land has been identified by the Council as a potential site for the construction of pensioner housing. The final decision as to the suitability of the site as pensioner housing is still dependent on the outcomes of community consultation and resource consent processes. If the site is not suitable for pensioner housing, then the Council will reassess the best use of the land, which could include commercial leases or disposal. Given the uncertainty over the future intended use of the land, the property has been classified as investment property.

[26] The examples provided are not intended to be exhaustive. Entities will need to consider their own facts and circumstances to ensure that the disclosures for PBE IPSAS 1 paragraphs 137 and 140 are relevant and complete. For example, the provision for weathertightness liabilities should be included if the provision is a material amount.

Accounting for suspensory loan from Housing New Zealand

The Council's view is the suspensory loan from Housing New Zealand is in substance a grant with conditions attached and is therefore accounted for under PBE IPSAS 23 *Revenue from Non-Exchange Transactions*. The Council considers there are two possible accounting treatments for the grant under PBE IPSAS 23. Either recognising the grant as revenue when all conditions are satisfied in 2028, or recognising the grant evenly over the 20-year condition period. The Council has elected to recognise the grant evenly over the 20-year period as that better reflects the substance of the arrangement. Further information about the suspensory loan is included in the revenue accounting policy and note 24.

Accounting for donated or vested land and buildings with use or return conditions

The Council has received land and buildings from non-exchange transactions that contain use or return conditions. If revenue is not recognised immediately for such assets when received, there is the possibility that a liability would be recognised in perpetuity and no revenue would ever be recognised for the asset received. The Council considers an acceptable and more appropriate accounting treatment under PBE IPSAS 23 is to recognise revenue immediately for such transfers and a liability is not recognised until such time as it is expected that the condition will be breached.

Good practice

2 SUMMARY REVENUE AND EXPENDITURE FOR GROUP OF ACTIVITIES

	Council		
	Actual 2015 $000	**Budget 2015 $000**	**Actual 2014 $000**
Revenue			
Activity 1[27]	1,314	1,276	1,028
Activity 2	2,466	2,987	1,753
Activity 3	1,765	1,876	1,475
Activity 4	1,689	1,980	1,245
Activity 5	1,876	1,345	1,547
Activity 6	3,105	2,539	2,453
Activity 7	1,657	1,908	1,457
Activity 8	5,047	2,645	3,333
Total activity revenue	18,919	16,556	14,291
Less internal revenue	(268)	(250)	(199)
General rates[28]	12,785	12,700	10,934
Total revenue	**31,436**	**29,006**	**25,026**
Expenditure			
Activity 1	1,902	2,012	3,105
Activity 2	5,193	5,120	4,532
Activity 3	2,851	2,895	3,456
Activity 4	1,439	1,456	1,239
Activity 5	3,856	3,156	3,536
Activity 6	4,557	3,855	4,430
Activity 7	1,492	1,645	1,327
Activity 8	6,343	6,050	6,214
Total activity expenditure	27,633	26,189	27,839
Less internal expenditure	(268)	(250)	(199)
Total expenditure	**27,365**	**25,939**	**27,640**

Each significant activity is stated gross of internal costs and revenues, and includes targeted rates attributable to activities (refer to note 3). In order to fairly reflect the total external operations for the Council in the statement of comprehensive revenue and expense, these transactions are eliminated as shown above.

[27] Actual activity names will need to be disclosed.
[28] Local authorities can elect to allocate general rates to activity revenue rather than presenting general rates as a single amount below activity revenue.

PBE IPSAS 1.127(c)

3 RATES

	Council		Group	
	2015	2014	2015	2014
	$000	$000	$000	$000
General rates	12,839	10,983	12,833[29]	10,978
Targeted rates attributable to activities:				
– metered water supply	1,799	1,324	1,799	1,324
– other water rates	551	450	551	450
– sewerage	1,000	1,002	999	1,001
– refuse and sanitation	1,436	1,248	1,435	1,247
– marketing	129	245	129	245
Rate penalties	68	62	68	62
Rates remissions	(54)	(49)	(54)	(49)
Total rates	**17,768**	**15,265**	**17,760**	**15,258**

LG(FRP)R 5(5)

LGFA Guarantee and Indemnity Deed

The Council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates income. That Deed defines annual rates income as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating Act) 2002 together with any revenue received by the Council from other local authorities for services provided by that Council for which those other local authorities rate. The annual rates income of the Council for the year ended 30 June 2015 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below:

	Council	
	2015	2014
	$000	$000
Rates	17,768	15,265
Lump sum contributions (note 7)	150	0
Total annual rates income	**17,918**	**15,265**

PBE IPSAS 1.127(c)

4 SUBSIDIES AND GRANTS

	Council		Group	
	2015	2014	2015	2014
	$000	$000	$000	$000
New Zealand Transport Agency roading subsidies	1,954	1,374	1,954	1,374
Ministry of Health drinking water related subsidies	312	0	312	0
Housing New Zealand Suspensory loan (note 24)	50	50	50	50
Other grants	0	100	0	100
Total subsidies and grants	**2,316**	**1,524**	**2,316**	**1,524**

[29] Rates paid or payable from subsidiaries shall be eliminated on consolidation into the group rates revenue.

PBE IPSAS 1.127(c)

5 FEES AND CHARGES

		Council		Group	
		2015	2014	2015	2014
		$000	$000	$000	$000
	Building and resource consent charges	2,445	1,228	2,445	1,228
	Landfill charges	887	549	887	549
	Swimming pool revenue	227	223	227	223
	Parking fees	57	61	57	61
PBE IPSAS 11.50(a)	Construction revenue	0	0	100	135
PBE IPSAS 9.39(b)(i)	Rendering of services	0	0	1,101	802
	Sale of goods	378	256	378	256
	Other fees and charges	484	646	484	646
	Total fees and charges	**4,478**	**2,963**	**5,679**	**3,900**

PBE IPSAS 1.127(c)

6 INTEREST REVENUE AND FINANCE COSTS

		Council		Group	
		2015	2014	2015	2014
		$000	$000	$000	$000
	Interest revenue				
	Interest revenue:				
	– term deposits	148	50	148	50
	– related party loans	110	110	0	0
	– community loans	45	45	45	45
	– local authority and government bonds	450	336	450	336
PBE IPSAS 9.39(b)(iii) PBE IPSAS 30.24(b)	*Total interest revenue*	753	541	643	431
	Finance costs				
	Interest expense:				
PBE IPSAS 30.24(b)	– interest on borrowings	2,378	2,000	2,378	2,000
	– interest on finance leases	10	9	10	9
PBE IPSAS 19.97(c)	– discount unwind on provisions (note 27)	283	267	311	293
	Interest derivatives (presented net):				
PBE IPSAS 30.24(a)(i)	– held for trading interest rate swaps	(212)	0	(212)	0
PBE IPSAS 30.28(b)	– ineffectiveness on cash flow hedges	(20)	0	(20)	0
PBE IPSAS 30.27(d)	– transfer from equity for cash flow hedges	(122)	0	(182)	0
	Total finance costs	2,317	2,276	2,450	2,390
	Net finance costs	**1,564**	**1,735**	**1,807**	**1,959**

PBE IPSAS 1.127(c)

7 OTHER REVENUE

Reference		Council 2015 $000	Council 2014 $000	Group 2015 $000	Group 2014 $000
PBE IPSAS 23.107(d)	Vested land and infrastructure from property development	3,655	2,075	3,655	2,075
	Traffic and parking infringements	400	325	400	325
	Lump sum contributions	150	0	150	0
	Petrol tax	75	113	75	113
PBE IPSAS 23.107(d)	Bequests and other donations[30]	10	8	10	8
PBE IPSAS 16.86(f)(i)	Rental revenue from investment properties	492	476	492	476
PBE IPSAS 9.39(b)(v)	Dividend revenue	180	160	116	96
PBE IPSAS 17.89(d)	Insurance recoveries:				
	– plant and equipment	36	0	36	0
	– motor vehicles	12	0	12	0
PBE IPSAS 27.38	Forestry asset revaluation gains (note 21)	245	216	245	216
	Investment property revaluation gains (note 22)	71	314	71	314
PBE IPSAS 1.107(c)	Property, plant, and equipment gains on disposal	5	319	5	319
PBE IPSAS 30.24(a)(ii)	Fair value through other comprehensive revenue and expense gains on disposal (note 28)	40	0	40	0
	Other	179	616	4	497
	Total other revenue	**5,550**	**4,622**	**5,311**	**4,439**

PBE IPSAS 1.127(c)

8 PERSONNEL COSTS

Reference		Council 2015 $000	Council 2014 $000	Group 2015 $000	Group 2014 $000
	Salaries and wages	4,490	4,211	4,785	4,512
PBE IPSAS 25.57	Defined contribution plan employer contributions	98	94	104	102
	Increase/(decrease) in employee entitlements	10	16	9	14
	Total personnel costs	**4,598**	**4,321**	**4,898**	**4,628**

Good practice

Employer contributions to defined contribution plans include contributions to KiwiSaver and the DBP Contributors Scheme.[31]

[30] PBE IPSAS 23 requires disclosure of the nature and type of major classes of bequests, gifts, and donations, showing separately major classes of goods in-kind received.

[31] The schemes listed are not exhaustive. Local authorities may make contributions to other defined contribution plans, including defined benefit plans that are accounted for as a defined contribution plan.

PBE IPSAS 1.106

9 OTHER EXPENSES[32]

Reference		Council 2015 $000	Council 2014 $000	Group 2015 $000	Group 2014 $000
	Fees to auditors:				
PBE IPSAS 1.116.1(a)	– fees to Audit New Zealand for audit of financial statements	105	101	141	135
PBE IPSAS 1.116.1(b)	– fees to Audit New Zealand for other services[33]	72	5	72	5
PBE IPSAS 1.116.1(a)	– fees to Assurance CA firm for audit of the Council's subsidiaries' financial statements	0	0	8	7
	General grants	1,000	1,000	1,000	1,000
	Contractors	4,500	4,500	4,524	4,522
	Insurance premiums	500	500	551	540
	Consultants and legal fees	750	700	750	700
PBE IFRS 4 D 17.6.1	ACC Accredited Employers Programme (note 27)	176	173	176	173
PBE IPSAS 12.47(d)	Inventory consumption	465	234	543	296
PBE IPSAS 30.24(e)	Impairment of receivables (note 12)	284	258	284	258
PBE IPSAS 21.73(a)	Plant and equipment impairment (note 18)	98	0	98	0
PBE IPSAS 31.125	Research and development expenditure	29	14	29	24
PBE IPSAS 13.44(c)	Operating lease expense	25	28	25	28
PBE IPSAS 4.61(a)	Net foreign exchange losses	8	0	8	0
PBE IPSAS 30.24(a)(i)	Net loss on foreign exchange derivatives	434	0	434	0
	Other operating expenses	7,670	10,435	7,593	10,459
	Total other expenses	**16,116**	**17,948**	**16,236**	**18,147**

PBE IPSAS 1.116.2

The fees to Audit New Zealand for other services in the year ending 30 June 2015 were for the audit of the Council's 2015-2025 Consultation Document and Long-Term Plan (2014 a contracting probity review performed over the library refurbishment project tender).

[32] PBE IPSAS 1.106 requires that, when items of expense and revenue are material, their nature and amount shall be separately disclosed.
[33] Fees to each auditor or reviewer for other services performed during the reporting period shall be separately disclosed from fees related to the audit or review of the financial statements and an entity shall describe the nature of the other services provided (PBE IPSAS 1.116.1 -116.2).

10 TAX[34,35,36,]

		Council		Group	
		2015 $000	2014 $000	2015 $000	2014 $000
PBE IAS 12.79	**Components of tax expense**				
	Current tax	0	0	84	57
	Adjustments to current tax in prior years	0	0	8	0
	Deferred tax	0	0	(20)	5
	Tax expense	**0**	**0**	**72**	**62**
PBE IAS 12.81(c)	**Relationship between tax expense and accounting surplus**				
	Surplus/(deficit) before tax	4,071	(2,614)	3,966	(2,837)
	Tax at 28%	1,221	(732)	1,110	(794)
	Plus/(less) tax effect of:				
	Non-deductible expenditure	0	732	220	856
	Non-taxable revenue	(1,221)	0	(1,277)	0
	Deferred tax adjustment	0	0	11	0
	Prior year adjustment	0	0	8	0
	Tax expense	**0**	**0**	**72**	**62**

PBE IAS 12.81(g)		Property, plant, and equipment $000	Financial instruments $000	Employee entitlements $000	Total $000
	Deferred tax assets/(liabilities)				
	Council				
	Balance at 1 July 2013	0	0	0	0
	Charged to surplus or deficit	0	0	0	0
	Charged to other comprehensive revenue and expense	0	0	0	0
	Balance at 30 June 2014	0	0	0	0
	Charged to surplus or deficit	0	0	0	0
	Charged to other comprehensive revenue and expense	0	0	0	0
	Balance at 30 June 2015	0	0	0	0
	Group				
	Balance at 1 July 2013	(128)	0	3	(125)
	Charged to surplus or deficit	(7)	0	2	(5)
	Charged to other comprehensive revenue and expense	0	0	0	0
	Balance at 30 June 2014	(135)	0	5	(130)
	Charged to surplus or deficit	19	0	1	20
	Charged to other comprehensive revenue and expense	0	(10)	0	(10)
	Balance at 30 June 2015	**(116)**	**(10)**	**6**	**(120)**

[34] In general, local authorities are only subject to income tax in their parent financial statements on income derived from a council-controlled organisation and income derived as a port operator. There may also be taxable activities in the group financial statements from the consolidation of taxpaying subsidiaries.

[35] Other tax-related disclosures that are required, if relevant, include:

- the amount of deductible temporary differences, and unused tax losses for which no deferred tax asset is recognised in the statement of financial position (PBE IAS 12.81(e)); and
- the amount of imputation credits available for use in subsequent reporting periods (PBE IAS 12.81.3). As local authorities are not permitted to maintain an imputation credit account, we do not that consider any disclosure of imputation credits is required.

[36] The transfer of tax losses by offset or subvention payment would typically be disclosed in the tax note or related party transactions note.

PBE IPSAS 2.56

11 CASH AND CASH EQUIVALENTS

	Council		Group	
	2015	2014	2015	2014
	$000	$000	$000	$000
Cash at bank and on hand	210	48	230	70
PBE IPSAS 2.9 — Term deposits with maturities of less than 3 months at acquisition	747	1,000	4,146	4,045
Total cash and cash equivalents	**957**	**1,048**	**4,376**	**4,115**

PBE IPSAS 30.29,35(a)

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value.

Financial assets recognised in a non-exchange transaction that are subject to restrictions

PBE IPSAS 23.106(d)[37]

The Council holds unspent funds, included in cash at bank and investments, of $4.21 million (2014 $5.03 million) that are subject to restrictions. These unspent funds relate to trusts and bequests received (see note 28), waste minimisation reserve (see note 28), lump sum contributions, and other funds received with restrictions where the spending of the funds is separately monitored. The restrictions generally specify how the funds are required to be spent.[38]

PBE IPSAS 2.56

Cash, cash equivalents, and bank overdrafts include the following for the purposes of the statement of cash flows:

	Council		Group	
	2015	2014	2015	2014
	$000	$000	$000	$000
Cash at bank and on hand	210	48	230	70
Term deposits with maturities of less than 3 months at acquisition	747	1,000	4,146	4,045
PBE IPSAS 2.10 — Bank overdrafts (note 25)	(2,791)	(297)	(2,791)	(297)
Total	**(1,834)**	**751**	**1,585**	**3,818**

PBE IPSAS 1.94(b)

12 RECEIVABLES

	Council		Group	
	2015	2014	2015	42014
	$000	$000	$000	$000
Rates receivables	2,516	1,808	2,516	1,808
Other receivables:				
– receivables from subsidiaries and associates	331	100	0	0
PBE IPSAS 11. 53 (a) — – construction contract receivables (note 30)	0	0	40	21
– insurance receivable for weathertightness claims	250	250	250	250
– other	1,752	420	1,823	632
Receivables prior to impairment	4,849	2,578	4,629	2,711
Less provision for impairment	(292)	(264)	(292)	(264)
Total receivables	**4,557**	**2,314**	**4,337**	**2,447**
Total receivables comprise:				
PBE IPSAS 1.88(g) PBE IPSAS 23.106(b) — Receivables from non-exchange transactions – this includes outstanding amounts for rates, grants, infringements, and fees and charges that are partly subsidised by rates	3,512	1,938	3,512	1,938
PBE IPSAS 1.88(h) — Receivables from exchange transactions - this includes outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates	1,045	376	825	509

[37] PBE IPSAS 23.106(d) requires disclosure of the amounts of assets subject to restrictions and the nature of those restrictions.
[38] If a local authority holds a material amount of assets subject to restrictions that were received in a non-exchange transaction, more specific information about the nature of those restrictions shall be disclosed if not disclosed elsewhere in the financial statements.

12 RECEIVABLES (CONTINUED)

Fair value

PBE IPSAS 30.29,35(a) Receivables are generally short-term and non-interest bearing. Therefore, the carrying value of receivables approximates their fair value.

Impairment

PBE IPSAS 30.43(c) The Council does not provide for any impairment on rates receivable, as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid 4 months after the due date for payment. If payment has not been made within 3 months of the Court's judgment, then the Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value of future payments if the effect of discounting is material.

PBE IPSAS 30.43(d) The carrying amount of receivables that would otherwise be past due or impaired and whose terms have been renegotiated is $88,291 (2014 $127,456).

PBE IPSAS 30.44(a) The ageing profile of receivables at year end is detailed below:

	2015			2014		
	Gross	Impairment	Net	Gross	Impairment	Net
	$000	$000	$000	$000	$000	$000
Council						
Not past due	2,524	(0)	2,524	1,370	(0)	1,370
Past due 1-60 days	1,162	(58)	1,104	604	(53)	551
Past due 61-120 days	697	(88)	609	362	(79)	283
Past due > 120 days	466	(146)	320	242	(132)	110
Total	**4,849**	**(292)**	**4,557**	**2,578**	**(264)**	**2,314**
Group						
Not past due	2,415	(0)	2,415	1,437	(0)	1,437
Past due 1-60 days	1,107	(58)	1,049	637	(53)	584
Past due 61-120 days	664	(88)	576	382	(79)	303
Past due > 120 days	443	(146)	297	255	(132)	123
Total	**4,629**	**(292)**	**4,337**	**2,711**	**(264)**	**2,447**

PBE IPSAS 30.25 All receivables greater than 30 days in age are considered to be past due.

PBE IPSAS 30.44(b) The impairment provision has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs.

	Council		Group	
	2015	2014	2015	2014
	$000	$000	$000	$000
Individual impairment	175	158	175	158
Collective impairment	117	106	117	106
Total provision for impairment	**292**	**264**	**292**	**264**

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors is as follows:

	Council		Group	
	2015	2014	2015	2014
	$000	$000	$000	$000
Past due 1-60 days	43	15	43	15
Past due 61-120 days	18	24	18	24
Past due > 120 days	114	119	114	119
Total individual impairment	**175**	**158**	**175**	**158**

12 RECEIVABLES (CONTINUED)

PBE IPSAS 30.20

Movements in the provision for impairment of receivables are as follows:

		Council		Group	
		2015	2014	2015	2014
		$000	$000	$000	$000
	At 1 July	264	248	264	248
PBE IPSAS 30.24(e)	Additional provisions made during the year	284	258	284	258
	Provisions reversed during the year	(30)	(24)	(30)	(24)
	Receivables written-off during the period	(226)	(218)	(226)	(218)
	At 30 June	**292**	**264**	**292**	**264**

PBE IPSAS 30.44(c)

The Council and group holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

PBE IPSAS 1.127(c)

13 DERIVATIVE FINANCIAL INSTRUMENTS

		Council		Group	
		2015	2014	2015	2014
		$000	$000	$000	$000
	Current asset portion				
PBE IPSAS 30.26(a),(b)	Interest rate swaps – cash flow hedges	98	74	130	74
	Total current asset portion	98	74	130	74
	Non-current asset portion				
PBE IPSAS 30.26(a),(b)	Interest rate swaps – cash flow hedges	248	162	248	162
	Interest rate swaps – held for trading	160	0	160	0
	Total non-current asset portion	408	162	408	162
	Total derivative financial instrument assets	**506**	**236**	**538**	**236**
	Current liability portion				
PBE IPSAS 30.26(a),(b)	Interest rate swaps – cash flow hedges	22	25	22	25
	Forward foreign exchange contracts - held for trading	240	0	240	0
	Total current liability portion	262	25	262	25
	Non-current liability portion				
PBE IPSAS 30.26(a),(b)	Interest rate swaps – cash flow hedges	42	49	42	49
	Total derivative financial instrument liabilities	**304**	**74**	**304**	**74**

PBE IPSAS 1.127(c)

13 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Fair value[39]

PBE IPSAS 30.29,31

Interest rate swaps

The fair values of interest rate swaps have been determined by calculating the expected future cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

PBE IPSAS 30.29,31

Forward foreign exchange contracts

The fair values of forward foreign exchange contracts have been determined using a discounted cash flows valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters such as currency rates. Most market parameters are implied from instrument prices.

Information about interest rate swaps

PBE IPSAS 30.41(a)

The notional principal amounts of the outstanding interest rate swap contracts for the Council were $22.0 million (2014 $16.0 million) and for the group were $24 million (2014 $16.0 million). At 30 June 2015, the fixed interest rates of cash flow hedge interest rate swaps varied from 7.14% to 8.3% (2014 7.05% to 7.95%).

PBE IPSAS 30.27(a)

Gains and losses recognised in the hedging reserve in equity (note 28) on interest rate swap contracts as at 30 June 2015 will be released to the surplus or deficit as interest is paid on the underlying debt.

The Council and group currently have no fair value hedges.

Information about forward foreign exchange contracts

PBE IPSAS 30.41(a)

The notional principal amounts of outstanding forward foreign exchange contracts were $2.0 million (2014 $nil).

PBE IPSAS 1.127(c)

14 OTHER FINANCIAL ASSETS

	Council		Group	
	2015	2014	2015	2014
	$000	$000	$000	$000
Current portion				
Term deposits with original maturities greater than 3 months and remaining maturities less than 12 months	2,500	1,069	2,500	1,069
Government bonds	658	2,230	658	2,230
Local authority stock	2,039	1,148	2,039	1,148
Total current portion	5,197	4,447	5,197	4,447
Non-current portion				
Investment in CCOs and similar entities				
Shares in subsidiaries (cost)	2,000	2,000	0	0
Loans to subsidiaries and associates	1,000	1,000	0	0
Unlisted shares in LGFA	250	245	250	245
Total investment in CCOs and similar entities	3,250	3,245	250	245
Investment in other entities				
Community loans	450	400	450	400
Unlisted shares in Te Motu Housing Limited	89	26	89	26
Listed shares in Port Te Motu Limited	992	967	992	967
Local authority stock	2,391	2,022	2,391	2,022
Total investment in other entities	3,922	3,415	3,922	3,415
Total non-current portion	7,172	6,660	4,172	3,660
Total other financial assets	**12,369**	**11,107**	**9,369**	**8,107**

[39] Councils that apply the RDR are not required to disclose the fair value of instruments not measured at fair value. However, the RDR requires for those instruments measured at fair value, disclosure of the basis for determining fair value, and when a valuation technique is used, the assumptions applied in determining fair value, shall be disclosed (PBE IPSAS 30 RDR 31.1).

14 OTHER FINANCIAL ASSETS (CONTINUED)

Fair value[40]

Term deposits

PBE IPSAS 30.29,35(a) The carrying amount of term deposits approximates their fair value.

Government bonds

PBE IPSAS 30.29,31 The fair value of government bonds is $702,000 (2014 $2.38 million). Fair value has been determined using quoted market bid prices from independently sourced market information for government bond prices.

Local authority stock

PBE IPSAS 30.29,31 The fair value of local authority stock is $5.31 million (2014 $3.98 million). Fair value has been determined by discounting cash flows from the stocks using a discount rate derived from relevant market inputs. The discount rates range between 7.4 and 8.8% (2014 7.1 and 8.3%).

Community loans

PBE IPSAS 30.29,31 The fair value of community loans is $465,000 (2014 $407,000). Fair value has been determined using cash flows discounted at a rate based on the loan recipient's financial risk factors of between 8.4 and10% (2014 between 8.3 and 9.7%).

Loans to related parties

PBE IPSAS 30.29,31 The fair value of loans to related parties is $1.02 million (2014 $1.02 million). Fair value has been determined using cash flows discounted at a rate based on a market borrowing rate of 8.7% (2014 8.6%).

Unlisted shares

PBE IPSAS 30.29,31 Unlisted shares are recognised at fair value.

PBE IPSAS 29.AG115(e) The fair value of unlisted shares in Te Motu Housing Limited has been determined using a valuation technique based on discounted cash flows using a rate based on the market interest rate and the risk premium specific to the unlisted shares of 12.3% (2014 11.5%). The cash flow projections have been determined by reference to financial budgets approved by the Board of Directors and covers a five-year period. Cash flows beyond the five-year period have been extrapolated using an estimated growth rate of 1.3% (2014 1.5%), which has been determined by reference to recent growth trends.

Due to the immaterial size and nature of the Council's investment in the LGFA, the Council has estimated the fair value of this investment based on the LGFA's net asset backing as at 30 June.

Listed shares

PBE IPSAS 30.29,31 Listed shares are recognised at fair value. The fair values of listed shares are determined by reference to published current bid price quotations in an active market.

Impairment

PBE IPSAS 30.24(e),44 There were no impairment expenses or provisions for other financial assets. At balance date, none of these financial assets are either past due or impaired.

Community loans[41]

PBE IPSAS 30.37(b) The face value of community loans is $1.09 million (2014 $998,000).

PBE IPSAS 30.37(a) Movements in the carrying value of community loans are as follows:

	Council		Group	
	2015	2014	2015	2014
	$000	$000	$000	$000
At 1 July	400	405	400	405
Amount of new loans granted during the year	100	0	100	0
Fair value adjustment on initial recognition	(33)	0	(33)	0
Loans repaid during the year (principal and interest)	0	(50)	0	(50)
Impairment loss recognised during the year	(62)	0	(62)	0
Unwind of discount and interest charged	45	45	45	45
At 30 June	**450**	**400**	**450**	**400**

[40] Councils that apply the RDR are not required to disclose the fair value of instruments not measured at fair value. However, the RDR requires for those instruments measured at fair value, disclosure of the basis for determining fair value, and when a valuation technique is used, the assumptions applied in determining fair value, shall be disclosed (PBE IPSAS 30 RDR 31.1).

[41] PBE IPSAS 30 requires additional disclosures for concessionary loans granted, which are loans granted by a Council below market terms. For example, loans provided to community organisations at interest rates that are lower than what the community organisation could borrow from a financial institution.

14 OTHER FINANCIAL ASSETS (CONTINUED)

PBE IPSAS 30.37(c)

The Council's community loan scheme is designed to help not-for-profit organisations in the Te Motu community to develop or improve new or existing facilities and other major projects. Only organisations with the ability to repay are granted loans. Loans are for a maximum of 10 years and interest is either nil or 3% per annum.

PBE IPSAS 30.37(d)

The fair value of loans at initial recognition has been determined using cash flows discounted at a rate based on the loan recipient's assessed financial risk factors.

PBE IPSAS 12.47(b)

15 INVENTORY

	Council		Group	
	2015	2014	2015	2014
	$000	$000	$000	$000
Held for distribution inventory:				
– water and sewerage reticulation spare parts	42	199	42	199
– street furniture	17	31	17	51
– water treatment chemicals	10	12	24	72
– other	16	77	55	109
Commercial inventory:				
– land being developed for sale	1,045	0	1,045	0
– held for use in the provision of services	12	16	12	16
Total inventory	**1,142**	**335**	**1,195**	**447**

PBE IPSAS 12.47(e),(f)

The write-down of inventory during the year was $27,000 (2014 $26,000). There have been no reversals of write-downs (2014 $nil).[42]

PBE IPSAS 12.47(h)

No inventory is pledged as security for liabilities (2014 $nil). However, some inventory is subject to retention of title clauses.

16 NON-CURRENT ASSETS HELD FOR SALE

PBE IFRS 5.41

The Council-owned property on Owen Street has been presented as held for sale following the approval by the Council on 24 May 2015 to sell the premises. The Council has approved the sale of the premises, as it will provide no future use to the Council. The completion date of the sale is expected to be by November 2015.

PBE IFRS 5.38

	Council		Group	
	2015	2014	2015	2014
	$000	$000	$000	$000
Non-current assets held for sale are:				
– buildings	700	0	700	0
– land	1,000	0	1,000	0
Total non-currents asset held for sale	**1,700**	**0**	**1,700**	**0**

PBE IFRS 5.38

The accumulated property revaluation reserve recognised in equity for the Owen Street property at 30 June 2015 is $177,000.

[42] If there has been a reversal of a previous write-down, disclose the circumstances or events that led to the reversal of the write-down (PBE IPSAS 12.47(g)). A Council that applies the RDR is not required to disclose this information.

17 INVESTMENT IN ASSOCIATE

		Actual 2015 $000	Actual 2014 $000
	Council		
	Investment in Te Motu Quarries Limited in Council parent financial statements	200	200
PBE IPSAS 7.43(b)	*Summarised financial information of associate presented on a gross basis*[43]		
	Assets	1,676	1,625
	Liabilities	1,030	990
	Revenues	124	98
	Surplus/(deficit)	31	27
	Group's interest	39%	39%
PBE IPSAS 7.46(a)	Share of associate's contingent liabilities incurred jointly with other investors	8,756	5,457
PBE IPSAS 7.46(b)	Contingent liabilities that arise because of several liability	0	8,478

PBE IPSAS 7.43(a) Te Motu Quarries Limited is an unlisted company.[44]

[43] These are the gross amounts from the associate's financial statements. An alternative presentation would be to show only the group's share. PBE IPSAS 7 does not specify which method of presentation is required.
[44] PBE IPSAS 7.43(a) requires disclosure of the fair value of investments in associates where there are published price quotations.

18 PROPERTY, PLANT, AND EQUIPMENT

PBE IPSAS 17.88(d),(e).[45]

Movements in the carrying value for each class of property, plant, and equipment are as follows:

	Cost/ valuation 1-Jul-14 $000	Accumulated depreciation and impairment charges 1-Jul-14 $000	Carrying amount 1-Jul-14 $000	Current year additions $000	Current year disposals.[46] $000	Current year impairment charges $000	Current year depreciation $000	Revaluation surplus $000	Cost/ revaluation 30-Jun-15 $000	Accumulated depreciation and impairment charges 30-Jun-15 $000	Carrying amount 30-Jun-15 $000
COUNCIL 2015											
Operational assets											
Land	22,840	0	22,840	0	(859)	0	0	728	22,709	0	22,709
Buildings	15,579	(1,937)	13,642	3,685	(801)	0	(398)	219	16,347	0	16,347
Landfill post-closure	626	(421)	205	0	0	0	(20)	0	626	(441)	185
Library books	1,791	(649)	1,142	0	(108)	0	(248)	1	787	0	787
Plant and equipment	2,418	(732)	1,686	447	0	(98)	(709)	0	2,865	(1,539)	1,326
Motor vehicles	1,196	(402)	794	0	0	0	(316)	0	1,196	(718)	478
Total operational assets	44,450	(4,141)	40,309	4,132	(1,768)	(98)	(1,691)	948	44,530	(2,698)	41,832
Infrastructural assets											
Land	3,000	0	3,000	0	0	0	0	0	3,000	0	3,000
Sewerage system	20,816	(1,948)	18,868	0	(592)	0	(192)	23	18,107	0	18,107
PBE IPSAS 32.13 Service concession asset – sewerage facility	13,877	(1,299)	12,578	0	(394)	0	(128)	16	12,072	0	12,072
Water system	42,835	(2,980)	39,855	3,160	0	0	(639)	425	42,801	0	42,801
Drainage network	11,158	(935)	10,223	0	0	0	(139)	400	10,484	0	10,484
Roading network	62,975	(98)	62,877	1,651	0	0	(1,180)	410	63,758	0	63,758
Land under roads	1,011	0	1,011	0	0	0	0	0	1,011	0	1,011
Total infrastructural assets	155,672	(7,260)	148,412	4,811	(986)	0	(2,278)	1,274	151,233	0	151,233
PBE IPSAS 17.89(a) **Restricted assets**											
Land	17,469	0	17,469	0	(13)	0	0	215	17,671	0	17,671
Buildings	9,274	(428)	8,846	0	0	0	(234)	104	8,716	0	8,716
Total restricted assets	26,743	(428)	26,315	0	(13)	0	(234)	319	26,387	0	26,387
Total Council	**226,865**	**(11,829)**	**215,036**	**8,943**	**(2,767)**	**(98)**	**(4,203)**	**2,541**	**222,150**	**(2,698)**	**219,452**

[45] This is just one way of presenting the reconciliation required by PBE IPSAS 17 *Property, Plant and Equipment*.

[46] Disposals in this reconciliation are reported net of accumulated depreciation and include PPE classified as held for sale during the year. Where assets classified as held for sale is material, these should be separately disclosed in the reconciliation of the carrying amount at the beginning and end of the period.

18 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

		Cost/ valuation 1-Jul-14 $000	Accumulated depreciation and impairment charges 1-Jul-14 $000	Carrying amount 1-Jul-14 $000	Current year additions $000	Current year disposals $000	Current year impairment charges $000	Current year depreciation $000	Revaluation surplus $000	Cost/ revaluation 30-Jun-15 $000	Accumulated depreciation and impairment charges 30-Jun-15 $000	Carrying amount 30-Jun-15 $000
	GROUP 2015											
	Operational assets											
	Land	23,640	0	23,640	0	(859)	0	0	728	23,509	0	23,509
	Buildings	17,379	(1,959)	15,420	3,685	(801)	0	(420)	219	18,103	0	18,103
	Landfill post-closure	626	(421)	205	0	0	0	(20)	0	626	(441)	185
	Library books	1,791	(649)	1,142	0	(108)	0	(248)	1	787	0	787
	Plant and equipment	4,182	(933)	3,249	1,102	0	(98)	(830)	0	4,791	(1,861)	2,930
	Motor vehicles	1,421	(557)	864	435	0	0	(581)	0	1,856	(1,138)	718
	Total operational assets	49,039	(4,519)	44,520	5,222	(1,768)	(98)	(2,099)	948	49,672	(3,440)	46,232
	Infrastructural assets											
	Land	3,000	0	3,000	0	0	0	0	0	3,000	0	3,000
	Sewerage system	20,816	(1,948)	18,868	0	(592)	0	(192)	23	18,107	0	18,107
PBE IPSAS 32.13	Service concession asset – sewerage facility	13,877	(1,299)	12,578	0	(394)	0	(128)	16	12,072	0	12,072
	Water system	42,835	(2,980)	39,855	3,160	0	0	(639)	425	42,801	0	42,801
	Drainage network	11,158	(935)	10,223	0	0	0	(139)	400	10,484	0	10,484
	Roading network	62,975	(98)	62,877	1,651	0	0	(1,180)	410	63,758	0	63,758
	Land under roads	1,011	0	1,011	0	0	0	0	0	1,011	0	1,011
	Total infrastructural assets	155,672	(7,260)	148,412	4,811	(986)	0	(2,278)	1,274	151,233	0	151,233
PBE IPSAS 17.89(a)	**Restricted assets**											
	Land	17,469	0	17,469	0	(13)	0	0	215	17,671	0	17,671
	Buildings	9,274	(428)	8,846	0	0	0	(234)	104	8,716	0	8,716
	Total restricted assets	26,743	(428)	26,315	0	(13)	0	(234)	319	26,387	0	26,387
	Total Group	**231,454**	**(12,207)**	**219,247**	**10,033**	**(2,767)**	**(98)**	**(4,611)**	**2,541**	**227,292**	**(3,440)**	**223,852**

18 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

		Cost/ valuation 1-Jul-13 $000	Accumulated depreciation and impairment charges 1-Jul-13 $000	Carrying amount 1-Jul-13 $000	Current year additions $000	Current year disposals $000	Current year impairment charges $000	Current year depreciation $000	Revaluation surplus $000	Cost/ revaluation 30-Jun-14 $000	Accumulated depreciation and impairment charges 30-Jun-14 $000	Carrying amount 30-Jun-14 $000
	COUNCIL 2014											
	Operational assets											
	Land	23,632	0	23,632	0	(792)	0	0	0	22,840	0	22,840
	Buildings	15,402	(1,568)	13,834	177	0	0	(369)	0	15,579	(1,937)	13,642
	Landfill post-closure	626	(401)	225	0	0	0	(20)	0	626	(421)	205
	Library books	1,486	(418)	1,068	305	0	0	(231)	0	1,791	(649)	1,142
	Plant and equipment	2,418	(48)	2,370	0	0	0	(684)	0	2,418	(732)	1,686
	Motor vehicles	978	(98)	880	218	0	0	(304)	0	1,196	(402)	794
	Total operational assets	44,542	(2,533)	42,009	700	(792)	0	(1,608)	0	44,450	(4,141)	40,309
	Infrastructural assets											
	Land	3,000	0	3,000	0	0	0	0	0	3,000	0	3,000
	Sewerage system	20,816	(1,707)	19,109	0	0	0	(241)	0	20,816	(1,948)	18,868
PBE IPSAS 32.13	Service concession asset – sewerage facility	13,877	(1,138)	12,739	0	0	0	(161)	0	13,877	(1,299)	12,578
	Water system	42,185	(2,458)	39,727	650	0	0	(522)	0	42,835	(2,980)	39,855
	Drainage network	11,025	(811)	10,214	133	0	0	(124)	0	11,158	(935)	10,223
	Roading network	59,446	0	59,446	3,529	0	0	(98)	0	62,975	(98)	62,877
	Land under roads	1,011	0	1,011	0	0	0	0	0	1,011	0	1,011
	Total infrastructural assets	151,360	(6,114)	145,246	4,312	0	0	(1,146)	0	155,672	(7,260)	148,412
PBE IPSAS 17.89(a)	**Restricted assets**											
	Land	18,531	0	18,531	0	(1,062)	0	0	0	17,469	0	17,469
	Buildings	9,274	(215)	9,059	0	0	0	(213)	0	9,274	(428)	8,846
	Total restricted assets	27,805	(215)	27,590	0	(1,062)	0	(213)	0	26,743	(428)	26,315
	Total Council	**223,707**	**(8,862)**	**214,845**	**5,012**	**(1,854)**	**0**	**(2,967)**	**0**	**226,865**	**(11,829)**	**215,036**

18 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

		Cost/ valuation 1-Jul-13 $000	Accumulated depreciation and impairment charges 1-Jul-13 $000	Carrying amount 1-Jul-13 $000	Current year additions $000	Current year disposals $000	Current year impairment charges $000	Current year depreciation $000	Revaluation surplus $000	Cost/ revaluation 30-Jun-14 $000	Accumulated depreciation and impairment charges 30-Jun-14 $000	Carrying amount 30-Jun-14 $000
	GROUP 2014											
	Operational assets											
	Land	24,432	0	24,432	0	(792)	0	0	0	23,640	0	23,640
	Buildings	17,202	(1,568)	15,634	177	0	0	(391)	0	17,379	(1,959)	15,420
	Landfill post-closure	626	(401)	225	0	0	0	(20)	0	626	(421)	205
	Library books	1,486	(418)	1,068	305	0	0	(231)	0	1,791	(649)	1,142
	Plant and equipment	4,019	(169)	3,850	163	0	0	(764)	0	4,182	(933)	3,249
	Motor vehicles	1,203	(196)	1,007	218	0	0	(361)	0	1,421	(557)	864
	Total operational assets	48,968	(2,752)	46,216	863	(792)	0	(1,767)	0	49,039	(4,519)	44,520
	Infrastructural assets											
	Land	3,000	0	3,000	0	0	0	0	0	3,000	0	3,000
	Sewerage system	20,816	(1,707)	19,109	0	0	0	(241)	0	20,816	(1,948)	18,868
PBE IPSAS 32.13	Service concession asset – sewerage facility	13,877	(1,138)	12,739	0	0	0	(161)	0	13,877	(1,299)	12,578
	Water system	42,185	(2,458)	39,727	650	0	0	(522)	0	42,835	(2,980)	39,855
	Drainage network	11,025	(811)	10,214	133	0	0	(124)	0	11,158	(935)	10,223
	Roading network	59,446	0	59,446	3,529	0	0	(98)	0	62,975	(98)	62,877
	Land under roads	1,011	0	1,011	0	0	0	0	0	1,011	0	1,011
	Total infrastructural assets	151,360	(6,114)	145,246	4,312	0	0	(1,146)	0	155,672	(7,260)	148,412
PBE IPSAS 17.89(a)	**Restricted assets**											
	Land	18,531	0	18,531	0	(1,062)	0	0	0	17,469	0	17,469
	Buildings	9,274	(215)	9,059	0	0	0	(213)	0	9,274	(428)	8,846
	Total restricted assets	27,805	(215)	27,590	0	(1,062)	0	(213)	0	26,743	(428)	26,315
	Total Group	**228,133**	**(9,081)**	**219,052**	**5,175**	**(1,854)**	**0**	**(3,126)**	**0**	**231,454**	**(12,207)**	**219,247**

18 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

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Core infrastructure asset disclosures

Included within the Council infrastructure assets above are the following core Council assets:

	Closing book value	Additions: constructed by Council	Additions: transferred to Council	Most recent replacement cost estimate for revalued assets
	$000	$000	$000	$000
2015				
Water supply:				
– treatment plants and facilities	17,120	324	–	29,570
– other assets (such as reticulation systems)	25,681	339	2,497	44,022
Sewerage:				
– treatment plants and facilities	14,563	–	–	17,864
– other assets (such as reticulation systems)	15,616	–	–	35,714
Stormwater drainage	10,484	–	–	19,658
Flood protection and control works	–	–	–	–
Roads and footpaths	63,758	493	1,158	83,032
2014				
Water supply:				
– treatment plants and facilities	15,942	–	–	27,396
– other assets (such as reticulation systems)	23,913	399	251	41,068
Sewerage:				
– treatment plants and facilities	15,006	–	–	18,408
– other assets (such as reticulation systems)	16,440	–	–	37,598
Stormwater drainage	10,223	133	–	19,168
Flood protection and control works	–	–	–	–
Roads and footpaths	62,877	1,705	1,824	81,885

18 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

PBE IPSAS 17.92.[47]

Valuation

Land (operational, restricted, and infrastructural)

The most recent valuation of land and buildings was performed by an independent registered valuer, R Holt SNZPI of Holt Valuers Limited. The valuation is effective as at 30 June 2015.

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the "unencumbered" land value where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensely.

Buildings (operational and restricted)

Specialised buildings are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- The replacement asset is based on the replacement with modern equivalent assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity.
- The replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information.
- For the Council's earthquake-prone buildings that are expected to be strengthened, the estimated earthquake-strengthening costs have been deducted off the depreciated replacement cost.
- The remaining useful life of assets is estimated.
- Straight-line deprecation has been applied in determining the depreciated replacement cost value of the asset.

Non-specialised buildings (for example, residential buildings) are valued at fair value using market-based evidence. Market rents and capitalisation rates were applied to reflect market value. These valuations include adjustments for estimated building strengthening costs for earthquake-prone buildings and the associated lost rental during the time to undertake the strengthening work.

Infrastructural asset classes: sewerage, water, drainage, and roads

Sewerage, water, drainage, and roading infrastructural assets are valued using the depreciated replacement cost method. There are a number of estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method. These include:

- Estimating any obsolescence or surplus capacity of the asset.
- Estimating the replacement cost of the asset. The replacement cost is derived from recent construction contracts in the region for similar assets.
- Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected by the local conditions. For example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over-or under-estimating the annual deprecation charge recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, infrastructural asset useful lives have been determined with reference to the New Zealand Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration, and condition-modelling are also carried out regularly as part of asset management planning activities, which provides further assurance over useful life estimates.

The most recent valuation of infrastructural assets was performed by K Tee ANZIV of Thompson Valuers Limited, and the valuation is effective as at 30 June 2015.

Land under roads

Land under roads was valued based on fair value of adjacent land determined by K Tee ANZIV of Thompson Valuers Limited, effective 30 June 2005. On transition to New Zealand equivalents to International Financial Reporting Standards on 1 July 2006, the Council elected to use the fair value of land under roads as at 30 June 2005 as deemed cost. Land under roads is no longer revalued.

[47] While it is not a requirement, we consider it good practice to disclose the name and qualifications of property valuers.

18 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

Library collections

Library collections are valued at depreciated replacement cost in accordance with the guidelines released in 2002 by the New Zealand Library Association and the National Library. Library valuations are performed by the Head Librarian, G Reading, and are subject to an independent review by M C Smith. The last valuation was effective as at 30 June 2015.

PBE IFRS 5.41

Disposals[48]

During the year, the Council derecognised the Council-owned and occupied building on Stark Road. The building was assessed in March 2015 and identified as an earthquake-prone building. The Council has decided that it is uneconomical to complete the building strengthening required to bring the building to the required earthquake-strengthening standard and vacated the property in June 2015. The carrying amount of the building of $44,000 was recognised as a loss on the disposal of the building.

The Council sold a section of Council-owned land that was used as a plant nursery for the Council's landscaping and city beautification purposes. The Council will be sourcing plants from local businesses in future. The net gain on the disposal of the land was $47,000.

The Council donated a portion of its library collection to the National Library of New Zealand and local school libraries. The collections donated were identified as part of a review of the Library's lending history and capacity to store its collections. The carrying amount of the collections donated was $nil, as all items identified for donation had been fully depreciated.

A component of the waste water plant was decommissioned and dismantled as it had lived out its useful life. The Council had already replaced this component two years ago, and it will now be operating at full capacity. The net gain on disposal of the scrap metal was $2,000.

The net gain on disposal of property, plant and equipment ($5,000) has been recognised in the statement of comprehensive revenue and expense in the line item "Other revenue".

Impairment

PBE IPSAS 21.73,77
PBE IPSAS 17.89(d)

Impairment losses of $98,000 (2014 $nil) have been recognised for plant and equipment damaged due to flooding that occurred in April 2015. The recoverable amount of the plant and equipment was based on value in use using the restoration cost approach, which was determined by reference to the depreciated replacement cost of the asset less the costs to repair the damage. A total of $36,000 in compensation has been received from an insurance claim for the damaged plant and equipment and has been recognised in "Other revenue" in note 7. The impairment loss has been recognised in the statement of comprehensive revenue and expense in the line item "Other expenses".

Work in progress

PBE IPSAS 17.89(b)

Property, plant, and equipment in the course of construction by class of asset is detailed below:

	Council and group	
	2015	**2014**
	$000	**$000**
Water system	363	110
Roading network	338	479
Buildings	189	0
Total work in progress	**890**	**589**

Restrictions[49]

PBE IPSAS 17.89(a)

Land and buildings in the "Restricted Asset" category are subject to either restrictions on use, or disposal, or both. This includes restrictions from legislation (such as land declared as a reserve under the Reserves Act 1977), or other restrictions (such as land or buildings under a bequest or donation that restricts the purpose for which the assets can be used).

Leasing

PBE IPSAS 13.40(a)

The net carrying amount of plant and equipment held under finance leases is $37,000 (2014 $63,000).

[48] The level of detail included in this disclosure of disposed non-current assets will depend on the significance of the disposals. A general narrative may be more appropriate for non-significant disposals.

[49] The existence and amounts of restrictions on title, and property, plant, and equipment pledged as security for liabilities are required to be disclosed for each class of asset (PBE IPSAS 17.89).

18 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

Service concession asset

PBE IPSAS 30.32

The Te Motu Point sewerage treatment plant is owned by the Council and operated by Waste Water Management Limited (WML) under a design, build, finance, and operate service concession arrangement contract. WML constructed the sewerage treatment plant and must operate the facility for a 25-year term until March 2022. WML is responsible for maintaining and replacing components of the facility during this term and at expiry of the term the facility is required to have a future life expectancy of at least 25 years. The contract terminates either on the expiry of the 25-year term or on the occurrence of a contract default event by either party. There is no renewal option in the contract.

The Council pays a monthly charge to WML that compensates WML for the costs of building, financing, and operating the facility. The monthly payment is adjusted for changes in cost indices, interest rates, and may be reduced in the event of failure to meet pre-specified service delivery targets.

The financial liability for the build of the facility is included in note 25 and is $4.32 million as at 30 June 2015 (2014 $4.62 million).

19 INTANGIBLE ASSETS

Movements in the carrying value for each class of intangible asset are as follows:[50]

PBE IPSAS 31.117(c),(e)

	Council Carbon credits $000	Council Computer software $000	Council Easement $000	Council Total $000	Group Goodwill $000	Group Total $000
Cost						
Balance at 1 July 2014	0	386	64	450	251	701
Additions	164	192	0	356	0	356
Disposals	(100)	0	0	(100)	0	(100)
Balance at 30 June 2015	64	578	64	706	251	957
Balance at 1 July 2013	100	386	64	550	251	801
Additions	0	0	0	0	0	0
Disposals	(100)	0	0	(100)	0	(100)
Balance at 30 June 2014	0	386	64	450	251	701
Accumulated amortisation and impairment						
Balance at 1 July 2014	0	295	0	295	0	295
Amortisation charge	0	131	0	131	0	131
Disposals	0	0	0	0	0	0
Balance at 30 June 2015	0	426	0	426	0	426
Balance at 1 July 2013	0	167	0	167	0	167
Amortisation charge	0	128	0	128	0	128
Disposals	0	0	0	0	0	0
Balance at 30 June 2014	0	295	0	295	0	295
Carrying amounts						
Balance at 1 July 2013	100	219	64	383	251	634
Balance at 30 June and 1 July 2014	0	91	64	155	251	406
Balance at 30 June 2015	64	152	64	280	251	531

[50] PBE IPSAS 31.117 requires entities to distinguish between internally generated intangible assets and other intangible assets. For example, internally developed software shall be distinguished from acquired software, when material.

19 INTANGIBLE ASSETS (CONTINUED)

PBE IPSAS 31.121(d) There are no restrictions over the title of intangible assets. No intangible assets are pledged as security for liabilities.

Impairment

Easements

Good practice Easements are not cash-generating in nature, as they give the Council the right to access private property where infrastructural assets are located. As such, impairment of an easement is determined by considering the future service potential of the easement. No impairment losses have been recognised for easements, as they all have ongoing service potential.

PBE IPSAS 31.121(a) Easements have been assessed as having an indefinite useful life because they provide the Council with access to infrastructural assets for an indefinite time period.

Carbon credits

Good practice The Council considers there is no impairment of carbon credits held as they are expected to be fully utilised in satisfying carbon obligations from its landfill operations.

PBE IPSAS 31.121(a) Carbon units have been assessed as having an indefinite useful life because they have no expiry date and will continue to have economic benefit as long as the Emissions Trading Scheme is in place.

Goodwill

PBE IPSAS 26.123(a.1) Goodwill of $251,000 (2014 $251,000) has been allocated to the single cash-generating unit (CGU) of Te Motu Properties Limited. The synergies of the business combination in which the goodwill arose are expected to be realised only by the assets of Te Motu Properties Limited.

PBE IPSAS 26.123(c)
PBE IPSAS 26.123(c)(iii) The recoverable amount of the CGU has been determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by the Board of Directors and cover a five-year period. Cash flows beyond the five-year period have been extrapolated using an estimated growth rate.

PBE IPSAS 26.123(c)(i) *Key assumptions used for the goodwill value in use calculation*

PBE IPSAS 26.123(c)(i) – budgeted gross margin 48%

PBE IPSAS 26.123(c)(i) – weighted average growth rate 1.3%

PBE IPSAS 26.123(c)(v) – pre-tax discount rate 9.2%

PBE IPSAS 26.123(c)(ii) These assumptions have been used for the analysis of the CGU of Te Motu Properties Limited. The Board has determined budgeted gross margin based on past performance and its expectations for the market. The weighted average growth rate used is consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflects specific risks relevant to the CGU.

PBE IPSAS 26.123(e) The group believes that a reasonable possible change in any of the key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

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20 DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY

	Council	
	Actual 2015 $000	**Actual 2014 $000**
Directly attributable depreciation and amortisation expense by group of activity		
Activity 1[51]	0	0
Activity 2	311	308
Activity 3	10	13
Activity 4	282	250
Activity 5	86	96
Activity 6	1,240	107
Activity 7	145	134
Activity 8	2,024	1,976
Total directly attributable depreciation and amortisation by group of activity	4,098	2,884
Depreciation and amortisation not directly related to group of activities	236	211
Total depreciation and amortisation expense	**4,334**	**3,095**

[51] Actual activity names will need to be disclosed.

21 FORESTRY ASSETS

		Council		Group	
		2015	2014	2015	2014
		$000	$000	$000	$000
PBE IPSAS 27.48	Balance at 1 July	7,343	7,127	7,620	7,404
	Increases due to purchases	0	0	0	0
	Gains/(losses) arising from changes attributable to physical changes[52]	324	194	324	194
	Gains/(losses) arising from changes attributable to price changes	(79)	22	(79)	22
	Decreases due to sales	0	0	0	0
	Decreases due to harvest	0	0	0	0
	Balance at 30 June	**7,588**	**7,343**	**7,865**	**7,620**

PBE IPSAS 27.44(a),(b)

The Council owns 1,187 hectares of pinus radiata forest, which are at varying stages of maturity ranging from
5 to 22 years. Te Motu Properties Limited owns 90 hectares of pinus radiata, which mature in 20 years. No trees have been harvested during the year (2014 nil).[53]

PBE IPSAS 27.47(a),(b)

There are no restrictions over the title of forestry assets. No forestry assets are pledged as security for liabilities.

Valuation assumptions

PBE IPSAS 27.45

Independent registered valuers, Forestry Valuation Limited, have valued forestry assets as at 30 June 2015. The following significant valuation assumptions have been adopted in determining the fair value of forestry assets:

- a discount rate of 9.2 % (2014 9.0%) has been used in discounting the present value of expected future cash flows;
- notional land rental costs have been included for freehold land;
- the forest has been valued on a going concern basis and includes only the value of the existing crops on a single rotation basis;
- no allowance for inflation has been provided;
- costs are current average costs. No allowance has been made for cost improvements in future operations; and
- log prices are based on a three-year historical rolling average.

PBE IPSAS 27.47(d)

Financial risk management strategies

The Council and group is exposed to financial risks arising from changes in timber prices. The Council and group is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future. Therefore, no measures have been taken to manage the risks of a decline in timber prices. The Council and group review its outlook for timber prices regularly in considering the need for active financial risk management.

[52] Separating the increase in fair value less costs to sell between the portion attributable to physical changes and the portion attributable to price changes is encouraged but not required by PBE IPSAS 27 *Agriculture*.
[53] PBE IPSAS 27.44 requires disclosure of the non-financial measures or estimates of physical quantities of each group of the entity's biological assets at the end of the period, and output of agricultural produce during the period. A Council that applies the RDR is not required to disclose this information.

22 INVESTMENT PROPERTY

		Council		Group	
		2015	2014	2015	2014
		$000	$000	$000	$000
PBE IPSAS 16.87	Balance at 1 July	8,040	7,726	8,040	7,726
	Additions from acquisitions	1,000	0	1,000	0
	Additions from subsequent expenditure	26	0	26	0
	Disposals	0	0	0	0
	Transfer to inventory	(1,045)	0	(1,045)	0
	Fair value gains/(losses) on valuation (note 7)	71	314	71	314
	Balance at 30 June	**8,092**	**8,040**	**8,092**	**8,040**

PBE IPSAS 16.86 (e) The valuation of investment property was performed by I Trevor ANZIV, an independent valuer from Oppenheim Valuers Limited. Oppenheim Valuers Limited is an experienced valuer with extensive market knowledge in the types and location of investment properties owned by the Council.

PBE IPSAS 16.86 (d) The fair value of investment property has been determined using the capitalisation of net revenue and discounted cash flow methods. These methods are based upon assumptions including future rental revenue, anticipated maintenance costs, and appropriate discount rates.

Information about the revenue and expenses in relation to investment property is detailed below:

		Council and Group	
		2015	2014
		$000	$000
PBE IPSAS 16.86(f)	Rental revenue	492	476
PBE IPSAS 16.86(f)	Direct operating expenses from investment property generating revenue	22	14
PBE IPSAS 16.86(f)	Direct operating expenses from investment property not generating revenue	10	6
PBE IPSAS 16.86 (h)	Contractual obligations for capital expenditure	345	324
PBE IPSAS 16.86 (h)	Contractual obligations for operating expenditure	154	180

23 JOINT VENTURE

The Council's interest in the Te Motu Forestry joint venture is accounted for as a jointly controlled operation.

PBE IPSAS 8.63 The Council's interests in the jointly controlled operation are as follows:

		Council and Group	
		2015	2014
		$000	$000
	Current assets	12	11
	Non-current assets	2,432	2,435
	Current liabilities	5	6
	Non-current liabilities	0	0
	Revenue	0	0
	Expenses	67	89
PBE IPSAS 8.62(a)	The Council's capital commitments in relation to the joint venture	4	3
PBE IPSAS 8.62 (b)	Share of joint venture's commitments	2	2
PBE IPSAS 8.61(a)	The Council's contingent liabilities incurred in relation to the joint venture	0	0
PBE IPSAS 8.61(a)	Share of joint venture's contingent liabilities	30	30
PBE IPSAS 8.61(a)	Other venturers' contingent liabilities the Council is liable for	0	0
PBE IPSAS 8.61(b)	The Council's contingent assets arising in relation to the joint venture	0	0
PBE IPSAS 8.61(b)	Share of joint venture's contingent assets	0	0

PBE IPSAS 1.93

24 PAYABLES AND DEFERRED REVENUE

Reference		Council 2015 $000	Council 2014 $000	Group 2015 $000	Group 2014 $000
	Current portion				
	Payables and deferred revenue under exchange transactions				
	Trade payables and accrued expenses	1,125	1,342	2,442	2,524
	Amounts due to subsidiaries and associates	145	145	0	0
	Development and financial contributions in advance	472	995	472	995
PBE IPSAS 11.53(b)	Amounts due to customers for contract work (note 30)	0	0	7	8
PBE IPSAS 11.51(b)	Advances received for contract work (note 30)	0	0	35	24
PBE IPSAS 1.88(k)	Total	1,742	2,482	2,956	3,551
	Payables and deferred revenue under non-exchange transactions				
	Income tax payable	0	0	2	6
	Other taxes payable (e.g. GST and FBT)	1,031	920	1,189	972
	Grants payable	48	56	148	56
PBE IPSAS 23.106(c)	Suspensory loan	50	50	50	50
PBE IPSAS 23.106(c)	Other grants and bequests received subject to substantive conditions not yet met	324	352	324	352
PBE IPSAS 1.88(j)	Total	2,060	2,035	2,320	2,095
	Total current portion	**3,195**	**3,860**	**4,669**	**4,989**
	Non-current portion				
	Payables and deferred revenue under non-exchange transactions				
PBE IPSAS 23.106(c)	Suspensory loan	607	657	607	657
	Total payables and deferred revenue	**3,802**	**4,517**	**5,276**	**5,646**

PBE IPSAS 30.29,35(a)

Payables are generally non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of payables approximates their fair value.

Good practice
PBE IPSAS 19.100

The Council received a 20-year suspensory loan of $1 million from Housing New Zealand that must be repaid if the Council makes certain decisions that affect the provision of its social housing (including selling properties) prior to 21 August 2028. The Council considers that the substance of the arrangement is the Council receives funding on condition that it provides social housing services over the 20-year term of the agreement. The current portion of the suspensory loan represents that amount of the loan that will be recognised as revenue over the next 12 months.

Good practice
PBE IPSAS 19.100

Other grants and bequests include:

- a grant from the Ministry of Health of $250,000 (2014 $200,000) for the purpose of an upgrade of the Council's water treatment infrastructure; and
- bequests of $50,000 (2014 $60,000) which must be spent on the nominated purpose or returned to the transferor or a nominated party.

PBE IPSAS 1.93

25 BORROWINGS AND OTHER FINANCIAL LIABILITIES

Reference		Council 2015 $000	Council 2014 $000	Group 2015 $000	Group 2014 $000
PBE IPSAS 1.80	**Current portion**				
	Bank overdraft	2,791	297	2,791	297
	Secured loans	5,783	2,605	5,783	2,605
	Service concession loan - secured	300	300	300	300
	Debentures	0	0	1,000	0
	Finance leases	15	18	15	18
	Total current portion	8,889	3,220	9,889	3,220

25 BORROWINGS AND OTHER FINANCIAL LIABILITIES (CONTINUED)

		Council		Group	
		2015	2014	2015	2014
		$000	$000	$000	$000
PBE IPSAS 1.80	**Non-current portion**				
	Secured loans	20,046	20,770	20,046	20,770
	Service concession loan - secured	4,020	4,320	4,020	4,320
	Debentures	0	0	1,984	2,984
	Finance leases	22	46	22	46
	Financial guarantee contracts	374	346	374	346
	Total non-current portion	24,462	25,692	26,446	28,466
	Total borrowings and other financial liabilities	**33,351**	**28,702**	**36,335**	**31,686**

PBE IPSAS 30.38 **Interest terms for secured loans**

The Council's secured loans are mostly issued at floating rates of interest. For floating rate debt, the interest rate is reset quarterly based on the 90-day bank bill rate plus a margin for credit risk.

PBE IPSAS 30.38 **Interest terms for debentures**

The debentures are at a floating interest rate. The interest rate is reset quarterly based on the 90-day bank bill rate plus a margin for credit risk.

PBE IPSAS 30.38 **Financial guarantee contracts**

The Council is listed as sole guarantor for a number of community organisation bank loans. The Council is obligated under each guarantee to make loan payments in the event that the organisation defaults on a loan arrangement. The exercising of guarantees will be dependent on the financial stability of the community organisations, which will vary over time. At balance date, the Council expects that it will be called upon by banks for financial guarantees issued when loans fall due for repayment during 2016, 2017, and 2018.

Security

PBE IPSAS 30.10 The overdraft is unsecured.

PBE IPSAS 30.10 The Council's secured loans are secured over either separate or general rates of the Council.

PBE IPSAS 30.10 PBE IPSAS 17.89(a) The debentures are secured by a floating charge over the land (carrying value of $800,000) and buildings (carrying value of $1.76 million) of the subsidiary companies that issued the debentures. The companies are free to acquire and dispose of assets provided that the net assets of the companies do not fall below $2.50 million.

PBE IPSAS 30.10 PBE IPSAS 17.89(a) The service concession loan is secured over the service concession assets (carrying value of the sewerage facility infrastructure is $12.07 million).

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Internal borrowings

LGA 2002 Sch 10.27 Information about internal borrowings is provided on pages 22 to 46 of the Council's annual report. Internal borrowings are eliminated on consolidation of activities in the Council's financial statements.

PBE IPSAS 30.29 **Fair values**

Due to interest rates on debt resetting to the market rate every three months, the carrying amounts of secured loans approximates their fair value.

The fair value of the service concession loan is $4.52 million. Fair value has been determined using contractual cash flows discounted using a rate based on market borrowing rates at balance date ranging from 6.6% to 7.2% (2014 6.4% to 7.3%).

The fair value of finance leases is $36,000 (2014 $62,000). Fair value has been determined using contractual cash flows discounted using a rate based on market borrowing rates at balance date ranging from 5.6% to 6.2% (2014 6.4% to 7.3%).

The carrying amount of financial guarantees approximates their fair value.

25 BORROWINGS AND OTHER FINANCIAL LIABILITIES (CONTINUED)

Analysis of finance leases

		Council		Group	
		2015	2014	2015	2014
		$000	$000	$000	$000
PBE IPSAS 13.40(c)	**Total minimum lease payments payable**				
	Not later than one year	28	28	28	28
	Later than one year and not later than five years	43	56	43	56
	Later than five years	0	15	0	15
	Total minimum lease payments	71	99	71	99
PBE IPSAS 13.40(b)	Future finance charges	(34)	(36)	(34)	(36)
	Present value of minimum lease payments	37	63	37	63
PBE IPSAS 13.40(c)	**Present value of minimum lease payments payable**				
	Not later than one year	15	18	15	18
	Later than one year and not later than five years	22	35	22	35
	Later than five years	0	10	0	10
	Total present value of minimum lease payments	37	63	37	63

Description of material leasing arrangements

PBE IPSAS 13.40(a) Finance leases are for various items of plant and equipment. The net carrying amount of the leased items within each class of property, plant, and equipment is disclosed in note 18.

PBE IPSAS 13.40 (f) The finance leases can be renewed at the Council's option, with rents set by reference to current market rates for items of equivalent age and condition. The Council does have the option to purchase the assets at the end of the lease terms.

PBE IPSAS 13.40(f) There are no restrictions placed on the Council by any of the finance leasing arrangements.

PBE IPSAS 1.93

26 EMPLOYEE ENTITLEMENTS

	Council		Group	
	2015 $000	2014 $000	2015 $000	2014 $000
Current portion				
Accrued pay	184	7	184	9
Annual leave	378	395	379	396
Sick leave	5	7	6	8
Retirement and long service leave	22	43	22	43
Total current portion	589	452	591	456
Non-current portion				
Retirement and long service leave	293	243	309	259
Total non-current portion	293	243	309	259
Total employee entitlements	**882**	**695**	**900**	**715**

Key assumptions in measuring retirement and long service leave obligations

PBE IPSAS 11.140 The present value of retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary. A weighted average discount rate of 5.8% (2014 5.4%) and an inflation factor of 2.5% (2014 2.5%) were used.

27 PROVISIONS

PBE IPSAS 1.93

	Council		Group	
	2015 $000	2014 $000	2015 $000	2014 $000
Current portion				
Weathertightness claims	250	250	250	250
Restructuring provision	50	45	50	45
PBE IFRS 4.37(b) ACC Accredited Employers Programme	172	167	172	167
Total current portion	472	462	472	462
Non-current portion				
PBE IFRS 4.37(b) ACC Accredited Employers Programme	74	55	74	55
Landfill aftercare provision	2,422	2,359	2,422	2,359
Total non-current portion	2,496	2,414	2,496	2,414
Total provisions	**2,968**	**2,876**	**2,968**	**2,876**

PBE IPSAS 19.97

Movements for each class of provision are as follows:[54,55]

Council and group	Weather-tightness claims $000	Restructuring $000	ACC Accredited Employers Programme $000	Landfill $000	Total $000
2014					
Balance at 1 July 2013	250	0	194	2,092	2,536
Additional provisions made	120	0	173	0	293
Amounts used	(75)	0	(145)	0	(220)
Unused amounts reversed	0	0	0	0	0
Discount unwind (note 6)	0	0	0	267	267
Balance at 30 June 2014	**295**	**0**	**222**	**2,359**	**2,876**
2015					
Good practice — Balance at 1 July 2014	295	0	222	2,359	**2,876**
Good practice — Additional provisions	25	81	176	0	282
Good practice — Amounts used	(70)	(31)	(152)	0	(253)
Good practice — Unused amounts reversed	0	0	0	(220)	(220)
Good practice — Discount unwind (note 6)	0	0	0	283	283
Good practice — **Balance at 30 June 2015**	**250**	**50**	**246**	**2,422**	**2,968**

PBE IPSAS 19.98

Weathertightness claims

Seven claims have been lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2015 (2014 Eight). These claims relate to weathertightness issues of homes in the Te Motu district and name the Council as well as other parties. The WHRS is a central government service established under the Weathertight Homes Resolution Services Act 2006. It also offers a funding assistance package (FAP) to eligible homeowners. This sees the Council contribution capped at 25% of eligible costs if the homeowner elects to use the FAP scheme. The Council has opted into the FAP scheme.

A provision for claims lodged at balance date has been established based on an actuarial assessment of claims based on historical average claim levels and other information held. The provision also includes an estimate for settlement of other civil proceedings (this includes those in relation to non-residential buildings) for weathertightness issues and for future claims relating to weathertightness issues not yet identified and reported. The Council has insurance in place that covers the provision recognised and has recognised a related receivable of $250,000 (2014 $250,000) which is presented as part of receivables in note 12.

[54] Disclosure of comparative information for the movement in provisions is good practice. It is not required under PBE IPSAS 19.97.
[55] The RDR does not require disclosure of the major assumptions concerning future events used in measuring provisions (PBE IPSAS 17 RDR 98.1).

27 PROVISIONS (CONTINUED)

The provision is based on estimates and actuarial assessments and therefore actual costs to the Council may vary significantly from the amount of provision currently recognised, particularly for estimations of unreported claims.
The significant assumptions used in the estimation of liability to the Council are explained below.

Percentage of successful claims

Historical data collected on the number of claims lodged allows assumptions to be made on the percentage of homes that may experience issues that will result in a successful weathertightness claim.

Settlement amount

This relates to the expected amount of settlement awarded from the resolution process and is based on amounts of previous settlements.

This represents the expected amount claimed by the homeowner and is based on the actual amounts for claims already settled.

Timing of claim payments

This is the expected time to settle claims and is based on historical settlement times.

Discount Rate

A discount rate of 4.25% has been applied.

PBE IPSAS 19.98 **Restructuring**

The Council approved a detailed and formal restructuring plan for the Te Motu Central Library, which was announced in April 2015. The restructuring commenced in June 2015. The restructuring will result in a reduction in full-time staff employed by the Te Motu Central Library. The restructuring plan and associated payments are expected to be completed in December 2015.

ACC Accredited Employers Programme[56]

The liability for the ACC Accredited Employers Programme is measured at the present value of expected future payments for employee injuries and claims up to balance date using actuarial techniques. Consideration is given to expected future wage and salary levels and experience of employee claims and injuries. Expected future payments are discounted using market yields at balance date on government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

PBE IFRS 4 D17.7.1(a) Exposures arising from the programme are managed by promoting a safe and healthy working environment by:

- implementing and monitoring health and safety policies;
- induction training on health and safety;
- actively managing workplace injuries to ensure that employees return to work as soon as practical;
- recording and monitoring workplace injuries and near misses to identify risk areas and implementing mitigating actions; and
- identifying workplace hazards and implementation of appropriate safety procedures.

PBE IFRS 4 D17.7.1(c) The Council has chosen a stop loss limit of 200% of the industry premium. The stop loss limit means that the Council will only carry the total cost of claims of up to $300,000 for each year of cover, which runs from 1 April to 31 March. If claims for the year exceed the stop loss limit, the Council will continue to meet the cost of claims and will be reimbursed by ACC for the costs that exceed the stop loss limit.

PBE IFRS 4 D17.7.1(b)(ii) The Council is not exposed to any significant concentrations of insurance risk, as work-related injuries are generally the result of an isolated event involving an individual employee.

PBE IFRS 4 D17.8A An independent actuarial valuer, DW Smith BSc FIAA, has calculated the Council's liability, and the valuation is effective as at 30 June 2015. The valuer has attested that he is satisfied as to the nature, sufficiency, and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the valuer's report.

PBE IFRS 4 D17.8B(b),(c) Average inflation has been assumed as 2% for the year ending 30 June 2016 and 2.5% for the year 30 June 2017. A discount rate of 4.8 % has been used for the years ending 30 June 2016 and 30 June 2017.

PBE IFRS 4 D17.6.1(d) Any changes in liability valuation assumptions will not have a material impact on the financial statements.

PBE IPSAS 19.98 **Landfill aftercare costs**

[56] These model financial statements do not include all the insurance-related disclosures required by PBE IFRS 4 *Insurance Contracts*. Where the ACC Accredited Employers Programme liability is material, the full disclosure requirements of PBE IFRS 4 will need to be considered.

27 PROVISIONS (CONTINUED)

The management of the landfill will influence the timing of recognition of some liabilities. For example, the current landfill will operate in two stages. A liability relating to stage two will be created only when this stage is commissioned and when refuse begins to accumulate in this stage.

The cash outflows for landfill post-closure costs are expected to occur in 5 to 25 years' time (or between 2020 and 2040). The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and known changes to legal requirements. The gross provision before discounting is $3.56 million (2014 $3.45 million).

The following significant assumptions have been made in calculating the provision:

- the remaining capacity of the site is 0.5 million cubic metres (refuse, clean fill, and cover);
- the estimated remaining life is 8 years;
- a discount rate ranging from 4.4 to 5.5% (2014 4.2 to 5.5%); and
- an inflation factor of 2.5%.

Estimates of the life have been made by external engineers based on historical volume information.

28 EQUITY

		Council		Group	
		2015	2014	2015	2014
		$000	$000	$000	$000
PBE IPSAS 1.119(c)	**Accumulated funds**				
	Balance at 1 July	154,344	156,799	154,327	157,126
	Transfers to restricted reserves	(3,331)	(3,840)	(3,331)	(3,840)
PBE IPSAS 17.57	Transfers from property revaluation reserves on disposal	153	178	153	178
	Transfers from restricted reserves	4,036	3,821	4,036	3,821
	Surplus/(deficit) for the year	4,071	(2,614)	3,853	(2,958)
	Balance at 30 June	**159,273**	**154,344**	**159,038**	**154,327**
PBE IPSAS 1.119(c)	**Restricted reserves**				
	Balance at 1 July	10,038	10,019	10,038	10,019
	Transfers to accumulated funds	(4,036)	(3,821)	(4,036)	(3,821)
	Transfers from accumulated funds	3,331	3,840	3,331	3,840
	Balance at 30 June	9,333	10,038	9,333	10,038
PBE IPSAS 1.119(c)	**Property revaluation reserve**				
	Balance at 1 July	44,217	44,395	44,987	45,165
	Net revaluation gains	2,541	0	2,541	0
	Transfer to accumulated funds on disposal of property	(153)	(178)	(153)	(178)
	Balance at 30 June	46,605	44,217	47,375	44,987
Good practice	Property revaluation reserves for each asset class consist of:				
	Operational assets:				
	– land	18,026	17,298	18,626	17,898
	– buildings	1,591	1,524	1,766	1,694
	– library books	125	124	125	124
	Infrastructural assets:				
	– sewerage system	3,274	3,250	3,274	3,250
	– service concession asset – sewerage facility	2,182	2,167	2,182	2,167
	– water system	5,306	4,881	5,306	4,881
	– drainage network	3,589	3,189	3,589	3,189
	– roading network	7,409	6,999	7,409	6,999

28 EQUITY (CONTINUED)

		Council		Group	
		2015	2014	2015	2014
		$000	$000	$000	$000
	Restricted assets:				
	– land	4,458	4,243	4,458	4,243
	– buildings	645	542	645	542
	Total	46,605	44,217	47,380	44,987
PBE IPSAS 1.119(c)	**Fair value through other comprehensive revenue and expense reserve**				
	Balance at 1 July	207	78	207	78
PBE IPSAS 30.24(a)(ii)	Net change in fair value	(103)	129	(103)	129
PBE IPSAS 30.24(a)(ii)	Transfer to surplus or deficit on disposal (note 7)	(40)	0	(40)	0
	Balance at 30 June	64	207	64	207
PBE IPSAS 1.119(c)	**Cash flow hedge reserve**				
	Balance at 1 July	162	0	162	0
PBE IPSAS 30.27(c)	Fair value gains/(losses) in the year	282	162	384	162
PBE IAS 12.61A	Tax on equity items	0	0	(10)	0
PBE IPSAS 30.27(d)	Transfer to the surplus or deficit	(122)	0	(182)	0
PBE IPSAS 30.27(e)	Transfers to the carrying amount of assets	(40)	0	(40)	0
	Balance at 30 June	282	162	314	162
	Total reserves	**56,284**	**54,624**	**57,086**	**55,394**
PBE IPSAS 1.119(c)	**Non-controlling interest**				
	Balance at 1 July	0	0	75	32
	Share of surplus/(deficit)	0	0	41	59
	Dividend paid	0	0	(16)	(16)
	Balance at 30 June	**0**	**0**	**100**	**75**

Information about reserve funds held for a specific purpose is provided below:[57]

LGA Sch 10.31

Reserve	Activities to which the reserve relates	Balance 1-July $000	Transfers into fund $000	Transfers out of fund $000	Balance 30-June $000
2015					
Water reserve	Water	3,188	1,675	(1,901)	2,962
Waste minimisation reserve	Solid Waste	245	467	(675)	37
Te Motu Parks bequest	Community facilities	126	5	(10)	121
Larry Frank bequest	Recreation services	1,134	60	(450)	744
General disaster fund	All activities	5,345	1,124	(1,000)	5,469
Total restricted reserves		**10,038**	**3,331**	**(4,036)**	**9,333**
2014					
Water reserve	Water supply	4,375	656	(1,843)	3,188
Waste minimisation reserve	Solid Waste	356	845	(956)	245
Te Motu Parks bequest	Community facilities	123	25	(22)	126
Larry Frank bequest	Recreation services	0	1,134	0	1,134
General disaster fund	All activities	5,165	1,180	(1,000)	5,345
Total restricted reserves		**10,019**	**3,840**	**(3,821)**	**10,038**

[57] Section 31 of Schedule 10 of the LGA prescribes disclosures for reserve funds. A reserve fund is defined by the LGA as money set aside by a local authority for a specific purpose. Local authorities will need to carefully determine their reserve funds. Reserve funds could include amounts collected by targeted rates, development and financial contributions, or lump sum contributions.

28 EQUITY (CONTINUED)

Purpose of each reserve fund

Water reserve – The water reserve is used to separate all funding and expenditure for the water activity. This keeps surpluses/deficits in the water activity separate from other activities.

Waste minimisation reserve – The waste minimisation reserve is used for recording the funding and expenditure in relation to the Council's share of the waste disposal levy received from Central government under the Waste Minimisation Act 2008. The funds received are required to be expended on initiatives and projects to promote or achieve waste minimisation and in accordance with the Council's waste management and minimisation plan.

Te Motu Parks bequest – This bequest is for the specific purpose of beautification of parks in the Te Motu District.

Larry Frank bequest – This bequest is for the specific purpose of building sculptures in the Te Motu town centre.

General disaster fund – The general disaster fund is to cover uninsurable assets like roads and bridges or other assets that are uneconomic to insure.

PBE IPSAS 2.29

29 RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Council		Group	
	2015	**2014**	**2015**	**2014**
	$000	**$000**	**$000**	**$000**
Surplus/(deficit) after tax	**4,071**	**(2,614)**	**3,894**	**(2,899)**
Add/(less) non-cash items				
Share of associate's surplus	0	0	(12)	(10)
Depreciation and amortisation expense	4,334	3,095	4,742	3,254
Property, plant, and equipment impairment	98	0	98	0
Vested assets	(3,655)	(2,075)	(3,655)	(2,075)
(Gains)/losses in fair value of forestry assets	(245)	(216)	(245)	(216)
(Gains)/losses in fair value of investment property	(71)	(314)	(71)	(314)
(Gains)/losses on derivative financial instruments	80	0	80	0
Net foreign exchange (gains)/losses	8	0	8	0
Total non-cash items	549	490	945	639
Add/(less) items classified as investing or financing activities				
(Gains)/losses on disposal of property, plant, and equipment	(5)	(319)	(5)	(319)
(Gains)/losses on disposal of investments classified as fair value through other comprehensive revenue and expense	(40)	0	(40)	0
Total items classified as investing or financing activities	(45)	(319)	(45)	(319)
Add/(less) movements in working capital items				
(Increase)/Decrease in receivables[58]	(2,243)	(22)	(1,890)	(69)
(Increase)/Decrease in prepayments	(3)	0	(2)	0
(Increase)/Decrease in inventory	(807)	93	(748)	83
Increase /(Decrease) in payables[59]	471	830	441	1,205
Increase /(Decrease) in income tax payable	0	0	(4)	3
Increase /(Decrease) in provisions	120	366	120	366
Increase /(Decrease) in employee entitlements	187	178	185	182
Net movement in working capital items	(2,275)	1,445	(1,898)	1,770
Net cash inflow/(outflow) from operating activities	**2,300**	**(998)**	**2,896**	**(809)**

[58] Any receivables for the sale of property, plant, and equipment will need to be excluded when calculating this movement.
[59] Any payables for capital expenditure will need to be excluded when calculating this increase or decrease.

PBE IPSAS 1.127(c)

30 CONSTRUCTION CONTRACTS

Reference		Council 2015 $000	Council 2014 $000	Group 2015 $000	Group 2014 $000
	For contracts in progress as at 30 June:				
PBE IPSAS 11.51(a)	Contract costs incurred	0	0	82	74
PBE IPSAS 11.51(a)	Recognised surpluses/(deficits)	0	0	18	61
	Progress billings	0	0	67	79
PBE IPSAS 11.53(a)	Gross amounts due from customers (note 12)	0	0	40	21
PBE IPSAS 11.53(b)	Gross amounts due to customers (note 24)	0	0	7	8
PBE IPSAS 11.51(b)	Advances received (note 24)	0	0	35	24
PBE IPSAS 11.51(c)	Retentions included in progress billings	0	0	26	29

31 CAPITAL COMMITMENTS AND OPERATING LEASES

Reference		Council 2015 $000	Council 2014 $000	Group 2015 $000	Group 2014 $000
	Capital commitments[60]				
PBE IPSAS 17.89(c)	Water system	1,222	2,102	1,222	2,102
PBE IPSAS 17.89(c)	Roading network	243	124	243	124
PBE IPSAS 17.89(c)	Buildings	345	2,240	345	2,240
PBE IPSAS 31.121(e)	Intangible assets	50	0	50	0
PBE IPSAS 16.86(h)	Investment property	345	324	345	324
	Total capital commitments	**2,205**	**4,790**	**2,205**	**4,790**

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

Intangible asset commitments include amounts payable on forward contracts of $50,000 to purchase carbon credits to be used to satisfy the Council's obligations under the Emissions Trading Scheme for landfill emissions.

Operating leases as lessee

PBE IPSAS 13.44(a) The Council and group lease buildings, and plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

Reference		Council 2015 $000	Council 2014 $000	Group 2015 $000	Group 2014 $000
PBE IPSAS 13.44(a)(i)	Not later than one year	21	21	40	40
PBE IPSAS 13.44(a)(ii)	Later than one year and not later than five years	84	84	360	700
PBE IPSAS 13.44(a)(iii)	Later than five years	21	42	40	80
	Total non-cancellable operating leases	**126**	**147**	**440**	**820**

PBE IPSAS 13.44(b) The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is $nil (2014 $nil).

[60] The amount of contractual commitments for the acquisition of property, plant, and equipment is required to be disclosed for each class of asset (PBE IPSAS 17.89).

31 CAPITAL COMMITMENTS AND OPERATING LEASES (CONTINUED)

PBE IPSAS 13.44(d)(ii)

Leases can be renewed at the Council and group's option, with rents set by reference to current market rates for items of equivalent age and condition. The Council and group has the option to purchase the asset at the end of the lease term.

PBE IPSAS 13.44 (d)(iii)

There are no restrictions placed on the Council and group by any of the leasing arrangements.

Operating leases as lessor

PBE IPSAS 13.69(a),(c)

Investment property and property used for social housing are leased under operating leases. The majority of the investment property leases have a non-cancellable term of 36 months, with the exception of two leases that have a non-cancellable term of 72 months. Social housing leases are generally for terms of 1 year, with some leases for shorter durations. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

		Council		Group	
		2015	**2014**	**2015**	**2014**
		$000	**$000**	**$000**	**$000**
PBE IPSAS 13.69(a)(i)	Not later than one year	523	470	523	470
PBE IPSAS 13.69 (a)(ii)	Later than one year and not later than five years	365	320	365	320
PBE IPSAS 13.69 (a)(iii)	Later than five years	76	87	76	87
	Total non-cancellable operating leases	**964**	**877**	**964**	**877**

PBE IPSAS 13.69(b)

No contingent rents have been recognised during the period.

32 CONTINGENCIES

PBE IPSAS 19.100

CONTINGENT LIABILITIES

	Council		Group	
	2015	**2014**	**2015**	**2014**
	$000	**$000**	**$000**	**$000**
Te Motu Floodway	910	840	910	840
Building Act claims	35	32	35	32
Financial guarantees	81	109	81	109
Other legal proceedings	12	9	12	9
Total contingent liabilities	**1,038**	**990**	**1,038**	**990**

Te Motu Floodway

The Te Motu Floodway contingent liabilities are a claim in respect of completed capital works. The Council is contesting these claims.

Building Act claims

The Building Act 2004 imposes certain obligations and liabilities on local authorities relating to the issue of building consents and inspection of work done. At the date of this report, four matters under that Act indicating potential liabilities had been brought to the Council's attention.

32 CONTINGENCIES (CONTINUED)

Unquantified claims

RiskPool provides public liability and professional indemnity insurance for its members. The Council is a member of RiskPool. The Trust Deed of RiskPool provides that, if there is shortfall (whereby claims exceed contributions of members and reinsurance recoveries) in any Fund year, then the Board may make a call on members for that Fund year. The Council received a notice during 2015 for a call for additional contributions in respect of the 2005/06 Fund year as those funds are exhibiting deficits due to the "leaky building" issue. This notice also highlighted that it is possible that further calls could be made in the future. A liability will be recognised for the future calls when there is more certainty over the amount of the calls.

Superannuation schemes

PBE IPSAS 25.33(c) The Council is a participating employer in the DBP Contributors Scheme (the scheme), which is a multi-employer defined benefit scheme. If the other participating employers cease to participate in the scheme, the Council could be responsible for any deficit of the scheme. Similarly, if a number of employers cease to participate in the scheme, the Council could be responsible for an increased share of any deficit.

As at 31 March 2014[61], the scheme had a past service surplus of $16.20 million (8% of the liabilities). This amount is exclusive of Employer Superannuation Contribution Tax. This surplus was calculated using a discount rate equal to the expected return on assets, but otherwise the assumptions and methodology were consistent with the requirements of PBE IPSAS 25.[62]

The actuary of the scheme has recommended that the employer contribution remain at 1.0 times contributor's contributions.

Local Government Funding Agency[63]

The Council is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+.

The Council is one of 30 local authority shareholders and 8 local authority guarantors of the LGFA. In that regard, it has uncalled capital of $1.0 million. When aggregated with the uncalled capital of other shareholders, $20.0 million is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, the Council is a guarantor of all of the LGFA's borrowings. At 30 June 2015, the LGFA had borrowings totalling $4.30 billion (2014 $3.73 billion).

Financial reporting standards require the Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of the LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- it is not aware of any local authority debt default events in New Zealand; and
- local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

PBE IPSAS 19.105 **Contingent assets**

The Council operates a scheme whereby sports clubs are able to construct facilities (for example, club rooms) on reserve land. The clubs control the use of these facilities and the Council will gain control of the asset only if the club vacates the facility. Until this event occurs, the assets are not recognised as assets in the statement of financial position. As at 30 June 2015, there are 25 facilities having an approximate value of $17.0 million (2014 24 facilities – $16.0 million). This estimate has been based on rating valuations for the area.

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[61] The actual information as at 31 March 2015 should be disclosed, if available from NPF's website. The quantitative information in this disclosure is based on the actual 31 March 21014 information provided by NPF.

[62] PBE IPSAS 25.33(c) requires that, where there is a surplus or deficit in a scheme that may affect the amount of future contributions, an entity must disclose any available information about the surplus or deficit, the basis used to determine the surplus or deficit, and the implications, if any, for the entity.

[63] The actual uncalled capital and total LGFA borrowing amounts as at 30 June 2015 must be used when disclosing information about the LGFA. The figures included in this disclosure are not the actual 30 June 2015 figures.

33 RELATED PARTY TRANSACTIONS[64]

Good practice

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the Council and group would have adopted in dealing with the party at arm's length in the same circumstances.

Good practice

Related party disclosures have also not been made for transactions with entities within the Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such group transactions.

PBE IPSAS 20.27,30,32

Related party transactions required to be disclosed

The Council entered into contracting arrangements with its subsidiary Te Motu Civic Construction Limited for the construction of Council infrastructure. The contract was not tendered for. The contract value of $1.10 million was considered to be significantly below market rates for similar contracts. No amounts were outstanding at balance date.

The Council has provided a guarantee over the bank borrowings of Te Motu Rugby Club to a maximum of $105,000. The Mayor is the chair of the Te Motu Rugby Club.

The Council purchased internal audit services totalling $84,456 (2014 $23,453) from ABC Accountants Limited, an accounting firm of which a Councillor is a Partner. The services were procured without going through a tender process, and the contracted hourly rates of the internal audit staff are at a significant discount compared to other recent internal audit service contracts the Council has entered into. An amount of $23,345 was outstanding at 30 June 2015 (2014 $6,546).

PBE IPSAS 20.34(a)

Key management personnel compensation[65,66]

	2015 $000	2014 $000
Councillors		
Remuneration	219	218
Full-time equivalent members	8	8
Senior Management Team, including the Chief Executive		
Remuneration	679	626
Full-time equivalent members	7	7
Total key management personnel remuneration	**898**	**844**
Total full-time equivalent personnel	**15**	**15**

Good practice

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors.[67]

34 REMUNERATION

Chief Executive

LGA Sch 10.32(1)(c),(2),(3

The total remuneration (including any non-financial benefits) paid or payable for the year to the Chief Executive was $197,521 ($191,301).[68]

[64] The Local Authorities (Members' Interests) Act 1968 threshold of $25,000 is not relevant in determining the extent of any financial reporting disclosures for related party transactions.
[65] PBE IPSAS 20.4 defines key management personnel (KMP) as all directors or members of the governing body of the entity; and other persons having the authority and responsibility for planning, directing, and controlling the activities of the reporting entity. Where they meet this requirement, KMP include: i) where there is a member of the governing body of a whole-of-government entity who has the authority and responsibility for planning, directing, and controlling the activities of the reporting entity, that member; ii) key advisors of that member; and iii) the senior management group of the reporting entity. For a local authority, we would expect the compensation of the Councillors, the Chief Executive, and members of the senior management team, or equivalent body, to be included in the KMP disclosures. There may also be other individuals who meet the KMP definition of PBE IPSAS 20. Local authorities will need to consider their specific facts and circumstances in determining the individuals that shall be included in the KMP compensation disclosures.
[66] Entities are required to disclose the aggregate remuneration of KMP and the number of individuals, determined on a full-time equivalent basis, receiving remuneration within this category, showing separately major classes of KMP and including a description of each class (PBE IPSAS 20.34(a)).
[67] Any local authorities that have information on hours worked by elected members (including work in the role of an elected member outside formal meetings) should consider whether it is sufficiently reliable to calculate a more meaningful full-time equivalent figure for disclosure.
[68] The Chief Executive's remuneration would include their salary, employer superannuation contributions, and non-financial benefits such as a vehicle, parking, and medical insurance.

33 REMUNERATION (CONTINUED)

LGA Sch 10.32(1)(a),(b)

Elected representatives

Elected representatives received the following remuneration:

	Council		Group	
	2015 **$**	**2014** **$**	**2015** **$**	**2014** **$**
Mayor	70,145	69,435	74,145*	73,435*
Councillor	32,450	31,457	32,450	31,457
Councillor	19,450	19,450	19,450	19,450
Councillor	19,450	19,450	19,450	19,450
Councillor	19,450	19,450	19,450	19,450
Councillor	19,450	19,450	19,450	19,450
Councillor	19,450	19,450	19,450	19,450
Councillor	19,450	19,450	19,450	19,450
Total elected representatives' remuneration	**219,295**	**217,592**	**223,295**	**221,592**

*The Mayor is a Director of Te Motu Holdings Limited and Te Motu Properties Limited and also received Director fees of $4,000 (2014 $4,000).

Council employees

		2015	**2014**
LGA Sch 10.32A(2),(3)	Total annual remuneration by band for employees as at 30 June:		
	< $60,000	18	19
	$60,000 – $79,999	13	12
	$80,000 – $99,999	6	6
	$100,000 – $199,999[69]	6	6
LGA Sch 10.32A (1)	**Total employees**	**43**	**43**

LGA Sch 10.32A (4) Total remuneration includes any non-financial benefits provided to employees.

LGA Sch. 10.32A (2) At balance date, the Council employed 25 (2014 26) full-time employees, with the balance of staff representing 9 (2014 8) full-time equivalent employees. A full-time employee is determined on the basis of a 40-hour working week.

35 SEVERANCE PAYMENTS

LGA Sch 10.33 For the year ended 30 June 2015, the Council made 3 (2014 1) severance payments to employees totalling $45,000 (2014 $22,000).[70] The value of each of the severance payments was $22,000, $12,000, and $11,000.

36 EVENTS AFTER THE BALANCE DATE

PBE IPSAS 14.28,30 The Council refinanced $4 million of the current portion of its secured loans on 1 September 2015. The loans were refinanced for a five-year period. The Council anticipates that the remaining current portion will be refinanced on similar terms.

There were severe storm events during August 2015 that have caused significant damage to certain infrastructural assets. The Council has incurred expenditure up to the date the financial statements were authorised for issue of $521,675 for repairs and replacement of assets as a direct result of these events. The total cost for repairs and replacement of assets is not yet evident, as the Council continues to assess the damage caused by the storm. The Council expects that certain costs in repairing and replacing assets will be reimbursed by insurance.

[69] This is an example of a combined band disclosure. Schedule 10, clause 32A of the LGA requires where the number of employees in any band is 5 or fewer, the number for that band is combined with the next-highest band.

[70] The term severance payment includes non-monetary benefits but excludes salary, holiday pay, and superannuation contributions to which the employee was already entitled. The precise amount of each severance payable to each individual is required to be disclosed. Employees are not required to be named. However, clause 33(1)(a) of Schedule 10 of the LGA requires the severance paid to a chief executive to be disclosed.

37 FINANCIAL INSTRUMENTS

PBE IPSAS 30.11

37A FINANCIAL INSTRUMENT CATEGORIES

The accounting policies for financial instruments have been applied to the line items below:

Reference		Council 2015 $000	Council 2014 $000	Group 2015 $000	Group 2014 $000
	FINANCIAL ASSETS				
	Fair value through surplus or deficit – Held for trading[71]				
PBE IPSAS 30.11(a)(ii)	Derivative financial instrument assets	160	0	160	0
Good practice	**Derivatives that are hedge accounted**				
	Derivative financial instrument assets	346	236	378	236
PBE IPSAS 30.11(c)	**Loans and receivables**				
	Cash and cash equivalents	957	1,048	4,376	4,115
	Receivables	4,557	2,314	4,337	2,447
	Other financial assets:				
	– term deposits	2,500	1,069	2,500	1,069
	– community loans	450	400	450	400
	– loans to related parties	1,000	1,000	0	0
	Total loans and receivables	9,464	5,831	11,663	8,031
PBE IPSAS 30.11 (b)	**Held-to-maturity**				
	Other financial assets:				
	– government bonds	658	2,230	658	2,230
	– local authority stock	2,968	2,403	2,968	2,403
	Total held-to-maturity	3,626	4,633	3,626	4,633
PBE IPSAS 30.11(d)	**Fair value through other comprehensive revenue and expense**				
	Other financial assets:				
	– local authority stock	1,462	767	1,462	767
	– unlisted shares	339	271	339	271
	– listed shares	992	967	992	967
	Total fair value through other comprehensive revenue and expense	2,793	2,005	2,793	2,005
	FINANCIAL LIABILITIES				
PBE IPSAS 30.11(e)(ii)	**Fair value through surplus or deficit – Held for trading**				
	Derivative financial instrument liabilities	240	0	240	0
Good practice	**Derivatives that are hedge accounted**				
	Derivative financial instrument liabilities	64	74	64	74
PBE IPSAS 30.11(f)	**Financial liabilities at amortised cost**[72]				
	Payables[73]	2,349	2,463	3,781	3,560
	Borrowings:				
	– bank overdraft	2,791	297	2,791	297
	– secured loans	25,829	23,375	25,829	23,375
	– service concession loan	4,320	4,620	4,320	4,620
	– debentures	0	0	2,984	2,984
	Total financial liabilities at amortised cost	35,289	30,755	39,705	34,836

[71] A separate total must also be presented for financial assets and financial liabilities that have been designated at initial recognition at fair value through surplus or deficit. If a Council applies the RDR, it can present a single total for financial assets and a single total for financial liabilities at fair value through surplus or deficit (PBE IPSAS 30 RDR 11.1 and 11.2).
[72] Financial guarantee contracts have not been included in this table as they are not measured at amortised cost or fair value.
[73] Deferred revenue items are not included within the payables figures in the financial instrument notes because deferred revenue is not a financial instrument.

37B FAIR VALUE HIERARCHY DISCLOSURES

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

PBE IPSAS 30.33(a)

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:[74]

	Total $000	Quoted market price $000	Observable inputs $000	Significant non-observable inputs $000
30 June 2015 - Council				
Financial assets				
Derivatives	506	0	506	0
Local authority stock	4,430	1,000	3,430	0
Shares	1,331	992	0	339
Financial liabilities				
Derivatives	304	0	304	0
30 June 2015 - Group				
Financial assets				
Derivatives	538	0	538	0
Local authority stock	4,430	1,000	3,430	0
Shares	1,331	992	0	339
Financial liabilities				
Derivatives	304	0	304	0
30 June 2014 - Council				
Financial assets				
Derivatives	236	0	236	0
Local authority stock	3,170	0	3,170	0
Shares	1,238	967	0	271
Financial liabilities				
Derivatives	74	0	74	0
30 June 2014 - Group				
Financial assets				
Derivatives	236	0	236	0
Local authority stock	3,170	0	3,170	0
Shares	1,238	967	0	271
Financial liabilities				
Derivatives	74	0	74	0

[74] A tabular format must be used in presenting the fair value hierarchy quantitative disclosures unless another format is more appropriate.

PBE IPSAS 30.33(b)

37B FAIR VALUE HIERARCHY DISCLOSURES (CONTINUED)

There were no transfers between the different levels of the fair value hierarchy.[75]

Valuation techniques with significant non-observable inputs (level 3)

PBE IPSAS 30.33 (c)

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements:

	2015 $000	2014 $000
Balance at 1 July	271	0
Gain and losses recognised in the surplus or deficit	0	0
Gain and losses recognised in other comprehensive revenue and expense	34	6
Purchases	34	265
Sales	0	0
Transfers into level 3	0	0
Transfers out of level 3	0	0
Balance at 30 June	**339**	**271**

PBE IPSAS 30.33 (e)

Changing a valuation assumption to a reasonable possible alternative assumption would not significantly change fair value.[76]

37C FINANCIAL INSTRUMENT RISKS[77]

PBE IPSAS 30.38

The Council's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. The Council and group has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from its treasury activities. The Council has established Council-approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

PBE IPSAS 30.40

Market risk

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Equity securities price risk arises on listed share investments, which are classified as financial assets held at fair value through other comprehensive revenue and expense. This price risk arises due to market movements in listed shares. Equity securities price risk is not managed as the only quoted share investment is in Port Te Motu Limited, which is held for strategic reasons.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Council purchases plant and equipment associated with the construction of certain infrastructural assets from overseas, which require it to enter into transactions denominated in foreign currencies. As a result of these activities, exposure to currency risk arises.

It is the Council's policy to manage foreign currency risks arising from contractual commitments and liabilities that are above $100,000 by entering into forward foreign exchange contracts to manage the foreign currency risk exposure. This means that the Council is able to fix the New Zealand dollar amount payable prior to delivery of the plant and equipment from overseas.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates of interest expose the Council and group to fair value interest rate risk. The Council's Liability Management policy is to maintain approximately 80% of its borrowings in fixed rate instruments. Fixed to floating interest rate swaps are entered into to hedge the fair value interest rate risk arising where the Council has borrowed at fixed rates in excess of the 80% target.

[75] Significant transfers between the different fair value hierarchy levels must be identified and the reasons for those transfers disclosed. Transfers into each level shall be disclosed and discussed separately from transfers out of each level (PBE IPSAS 30.33(b)). Additionally, for measurements included in level 3 of the fair value hierarchy, reconciliation between the opening and closing balances is required to be presented (PBE IPSAS 30.33(c)).

[76] For fair value measurements in level 3 of the hierarchy, if changing one or more of the valuation inputs to reasonably possible alternative assumptions would change fair value significantly, an entity shall state that fact and disclose the effect of those changes. How the effect of a change to a reasonable possible alternative assumption was calculated shall also be disclosed (PBE IPSAS 30.33(c)).

[77] For Tier 1 reporting entities, particular financial instrument risk disclosures are not required where the risk is not material (PBE IPSAS 30.41(b)).

37C FINANCIAL INSTRUMENT RISKS (CONTINUED)

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Council and group to cash flow interest rate risk.

Generally, the Council and group raises long-term borrowings at floating rates and swaps them into fixed rates using interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if the Council or group borrowed at fixed rates directly. Under the interest rate swaps, the Council and group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Council and group, causing it to incur a loss. Due to the timing of its cash inflows and outflows, surplus cash is invested into term deposits, local authority stock, and government bonds, which gives rise to credit risk. The Council also provides financial guarantees, which gives rise to credit risk.

PBE IPSAS 30.43(c)

The Council's Investment policy limits the amount of credit exposure to any one financial institution or organisation to no more than 20% of total investments held. Investments in other local authorities are secured by charges over rates. Other than other local authorities, the group invests funds only with entities that have a Standard and Poor's credit rating of at least A2 for short-term and A- for long-term investments.

PBE IPSAS 30.43(b),44(c)

The Council and group holds no collateral or credit enhancements for financial instruments that give rise to credit risk.

Maximum exposure to credit risk

PBE IPSAS 30.43(a), AG9

The Council's maximum credit risk exposure for each class of financial instrument is as follows:

	Council		Group	
	2015	**2014**	**2015**	**2014**
	$000	**$000**	**$000**	**$000**
Cash at bank and term deposits	3,457	2,117	6,876	5,184
Receivables	4,557	2,314	4,337	2,447
Community and related party loans	1,450	1,400	450	400
Local authority stock and government bonds	5,088	5,400	5,088	5,400
Derivative financial instrument assets	506	236	538	236
Financial guarantees[78]	455	455	455	455
Total credit risk	**15,513**	**11,922**	**17,744**	**14,122**

The Council is exposed to credit risk as a guarantor of all of the LGFA's borrowings. Information about this exposure is explained in note 32.

[78] The maximum exposure to credit risk for financial guarantees is the maximum amount an entity would have to pay if the guarantee is called on, which may be significantly greater than the amount recognised as a liability (PBE IPSAS 30 AG10(c)).

37C FINANCIAL INSTRUMENT RISKS (CONTINUED)

PBE IPSAS 30.43(c)

Credit quality of financial assets

PBE IPSAS 30 IG25,26

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

	Council		Group	
	2015	**2014**	**2015**	**2014**
	$000	**$000**	**$000**	**$000**
COUNTERPARTIES WITH CREDIT RATINGS				
Cash at bank and term deposits				
AA	2,041	1,841	3,386	2,987
AA-	1,416	1,228	3,490	2,197
Total cash at bank and term deposits	3,457	3,069	6,876	5,184
Local authority stock and government bonds				
AA+	2,348	2,520	2,348	2,520
AA	2,740	2,880	2,740	2,880
Total local authority stock and government bonds	5,088	5,400	5,088	5,400
Derivative financial instrument assets				
AA	144	106	144	106
AA-	362	130	394	130
Total derivative financial instrument assets	506	236	538	236
COUNTERPARTIES WITHOUT CREDIT RATINGS				
Community and related party loans				
Existing counterparty with no defaults in the past	1,160	1,120	160	120
Existing counterparty with defaults in the past	290	280	290	280
Total community and related party loans	1,450	1,400	450	400

Receivables arise mainly from the Council's statutory functions. Therefore, there are no procedures in place to monitor or report the credit quality of receivables with reference to internal or external credit ratings. The Council has no significant concentrations of credit risk in relation to receivables, as it has a large number of credit customers, mainly ratepayers, and the Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Liquidity risk

Management of liquidity risk

PBE IPSAS 30.46(c)

Liquidity risk is the risk that the Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. The Council aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Council maintains a target level of investments that must mature within the next 12 months. The Council manages its borrowings in accordance with its funding and financial policies, which include a Liability Management policy.

The Council has a maximum amount that can be drawn down against its overdraft facility of $4.50 million (2014 $4.50 million). There are no restrictions on the use of this facility.

37C FINANCIAL INSTRUMENT RISKS (CONTINUED)

Contractual maturity analysis of financial liabilities, excluding derivatives

PBE IPSAS 30.46(a)

The table below analyses the Council and group's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.[79]

PBE IPSAS 30 AG15(c)

	Carrying amount $000	Contractual cash flows $000	Less than 1 year $000	1-2 years $000	2-5 years $000	More than 5 years $000
Council 2015						
Payables	2,349	2,349	2,349	0	0	0
Bank overdraft	2,791	2,791	2,791	0	0	0
Secured loans	25,829	31,972	7,901	6,373	4,381	13,317
Service concession loan	4,320	5,973	318	318	954	4,383
Finance leases	37	71	28	43	0	0
Financial guarantees[80]	374	455	455	0	0	0
Total	**35,700**	**43,611**	**13,842**	**6,734**	**5,335**	**17,700**
Group 2015						
Payables	3,781	3,781	3,781	0	0	0
Bank overdraft	2,791	2,791	2,791	0	0	0
Secured loans	25,829	31,972	7,901	6,373	4,381	13,317
Service concession loan	4,320	5,973	318	318	954	4,383
Debentures	2,984	3,458	1,238	1,118	1,102	0
Finance leases	37	71	28	43	0	0
Financial guarantees	374	455	455	0	0	0
Total	**40,116**	**48,501**	**16,512**	**7,852**	**6,437**	**17,700**
Council 2014						
Payables	2,463	2,463	2,463	0	0	0
Bank overdraft	297	297	297	0	0	0
Secured loans	23,375	29,229	2,918	7,743	5,551	13,017
Service concession loan	4,620	6,273	318	318	954	4,683
Finance leases	63	99	28	28	28	15
Financial guarantees	346	455	455	0	0	0
Total	**31,164**	**38,816**	**6,479**	**8,089**	**6,533**	**17,715**
Group 2014						
Payables	3,560	3,560	3,560	0	0	0
Bank overdraft	297	297	297	0	0	0
Secured loans	23,375	29,229	2,918	7,743	5,551	13,017
Service concession loan	4,620	6,273	318	318	954	4,683
Debentures	2,984	3,601	328	1,218	2,063	0
Finance leases	63	99	28	28	28	15
Financial guarantees	346	455	455	0	0	0
Total	**35,245**	**43,514**	**7,904**	**9,307**	**8,596**	**17,715**

[79] PBE IPSAS 30 does not prescribe the time bands to use. Entities will need to exercise judgement in determining the appropriate time bands to use when presenting the contractual maturity analysis.
[80] The maximum amount of an issued financial guarantee contract is allocated to the earliest time band in which the guarantee could be called by the guarantee holder (PBE IPSAS 30 AG15(c)).

37C FINANCIAL INSTRUMENT RISKS (CONTINUED)

The Council is exposed to liquidity risk as a guarantor of all of the LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in note 32.

Contractual maturity analysis of derivative financial instrument liabilities

PBE IPSAS 30.46(b)

The table below analyses the Council and group's derivative financial instrument liabilities into those that are settled on a net basis and those that will be settled on a gross basis[81] into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Liability carrying amount $000	Asset carrying amount $000	Contractual Cash flows $000	Less than 6 months $000	6-12 months $000	1-2 years $000
Council and group						
2015						
Gross settled forward foreign exchange contracts:	240	0				
– outflow	-	-	2,000	1,000	500	500
– inflow	-	-	2,084	1,040	522	522
Net settled derivative liabilities	64	0	78	24	26	28
Council and group						
2014						
Gross settled forward foreign exchange contracts:	0	0				
– outflow	-	-	0	0	0	0
– inflow	-	-	0	0	0	0
Net settled derivative liabilities	74	0	90	19	23	48

PBE IPSAS 30 AG17

Contractual maturity analysis of financial assets[82]

The table below analyses the Council and group's financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and include interest receipts.

	Carrying amount $000	Contractual cash flows $000	Less than 1 year $000	1-2 years $000	2-5 years $000	More than 5 years $000
Council 2015						
Cash and cash equivalents	957	957	957	0	0	0
Receivables	4,557	4,557	4,557	0	0	0
Net settled derivative assets	506	595	101	242	252	0
Other financial assets:						
– term deposits	2,500	2,717	2,156	561	0	0
– community and related party loans	1,450	2,146	98	1,098	950	0
– local authority stock and government bonds	5,088	6,250	2,915	1,709	1,626	0
Total	**15,058**	**17,222**	**10,784**	**3,610**	**2,828**	**0**

[81] All gross settled derivative financial instruments shall be included in the analysis whether their fair value is an asset or a liability.
[82] Entities are required to disclose a maturity analysis of financial assets they hold for managing liquidity risk if that information is necessary to enable users of their financial statements to evaluate the nature and extent of liquidity risk.

37C FINANCIAL INSTRUMENT RISKS (CONTINUED)

	Carrying amount $000	Contractual cash flows $000	Less than 1 year $000	1-2 years $000	2-5 years $000	More than 5 years $000
Group 2015						
Cash and cash equivalents	4,376	4,376	4,376	0	0	0
Receivables	4,337	4,337	4,337	0	0	0
Net settled derivative assets	538	636	111	253	272	0
Other financial assets:						
– term deposits	2,500	2,717	2,156	561	0	0
– community and related party loans	450	950	0	0	950	0
– local authority stock and government bonds	5,088	6,250	2,915	1,709	1,626	0
Total	**17,289**	**19,266**	**13,895**	**2,523**	**2,848**	**0**
Council 2014						
Cash and cash equivalents	1,048	1,048	1,048	0	0	0
Receivables	2,314	2,314	2,314	0	0	0
Net settled derivative assets	236	280	102	64	114	0
Other financial assets:						
– term deposits	1,069	1,109	1,109	0	0	0
– community and related party loans	1,400	2,244	98	98	2,048	0
– local authority stock and government bonds	5,400	6,523	1,748	4,218	557	0
Total	**11,467**	**13,518**	**6,419**	**4,380**	**2,719**	**0**
Group 2014						
Cash and cash equivalents	4,115	4,115	4,115	0	0	0
Receivables	2,447	2,447	2,447	0	0	0
Net settled derivative assets	236	280	102	64	114	0
Other financial assets:						
– term deposits	1,069	1,109	1,109	0	0	0
– community and related party loans	400	950	0	0	950	0
– local authority stock and government bonds	5,400	6,523	1,748	4,218	557	0
Total	**13,667**	**15,424**	**9,521**	**4,282**	**1,621**	**0**

PBE IPSAS 30.47

37C FINANCIAL INSTRUMENT RISKS (CONTINUED)

SENSITIVITY ANALYSIS[83]

The tables below illustrate the potential effect on the surplus or deficit and equity (excluding accumulated funds) for reasonably possible market movements, with all other variables held constant, based on the Council and group's financial instrument exposures at balance date.

COUNCIL

	2015 $000				2014 $000			
		-50bps		+100bps		-100bps		+100bps
INTEREST RATE RISK	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**
Financial assets								
Cash and cash equivalents	(1)	0	2	0	(2)	0	2	0
Derivatives - held for trading	(160)	0	320	0	0	0	0	0
Derivatives - hedge accounted	(93)	(234)	186	567	0	0	0	0
Other financial assets:								
– local authority stock	0	28	0	(56)	0	101	0	(101)
Financial liabilities								
Derivatives - hedge accounted	0	0	0	0	0	0	0	0
Borrowings:								
– bank overdraft	14	0	(28)	0	3	0	(3)	0
– secured loans	125	0	(250)	0	220	0	(220)	0
Total sensitivity	**(115)**	**(206)**	**230**	**511**	**221**	**101**	**(221)**	**(101)**
		-10%		+10%		-10%		+10%
FOREIGN EXCHANGE RISK	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**
Financial liabilities								
Derivatives - held for trading	567	0	(434)	0	0	0	0	0
Payables	(27)	0	31	0	0	0	0	0
Total sensitivity	**540**	**0**	**(403)**	**0**	**0**	**0**	**0**	**0**
EQUITY PRICE RISK								
Financial assets								
Other financial assets:								
– listed shares	0	(99)	0	99	0	97	0	(97)
Total sensitivity	**0**	**(99)**	**0**	**99**	**0**	**97**	**0**	**(97)**

[83] The format for presenting the sensitivity analysis is not prescribed by PBE IPSAS 30. These model financial statements illustrate one possible presentation that complies with PBE IPSAS 30.

37C FINANCIAL INSTRUMENT RISKS (CONTINUED)

GROUP

	2015 $000				2014 $000			
		-50bps		+100bps		-100bps		+100bps
INTEREST RATE RISK	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**
Financial assets								
Cash and cash equivalents	(1)	0	2	0	(1)	0	1	0
Derivatives - held for trading	(244)	0	487	0	0	0	0	0
Derivatives - hedge accounted	(99)	(298)	198	597	0	0	0	0
Other financial assets:								
– local authority stock	0	28	0	(56)	0	101	0	(101)
Financial liabilities								
Borrowings:								
– bank overdraft	14	0	(28)	0	3	0	(3)	0
– term loans	125	0	(250)	0	220	0	(220)	0
– debentures	10	0	(20)	0	30	0	(30)	0
Total sensitivity	**(195)**	**(270)**	**389**	**541**	**252**	**101**	**(252)**	**(101)**
		-10%		**+10%**		**-10%**		**+10%**
FOREIGN EXCHANGE RISK	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**
Financial liabilities								
Derivatives - held for trading	567	0	(434)	0	0	0	0	0
Payables	(29)	0	31	0	0	0	0	0
Total sensitivity	**538**	**0**	**(403)**	**0**	**0**	**0**	**0**	**0**
EQUITY PRICE RISK								
Financial assets								
Other financial assets:								
– listed share investments	0	(99)	0	99	0	97	0	(97)
Total sensitivity	**0**	**(99)**	**0**	**99**	**0**	**97**	**0**	**(97)**

Explanation of interest rate risk sensitivity

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease in 50 bps is equivalent to a decrease in interest rates of 0.5%.

The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of -50bps/+100bps (2014 -100bps/+100bps).

Explanation of foreign exchange risk sensitivity

The foreign exchange sensitivity is based on a reasonable possible movement in foreign exchange rates, with all other variables held constant, measured as a percentage movement in the foreign exchange rate.

The sensitivity for derivatives (forward foreign exchange contracts) has been calculated using a derivative valuation model based on movement in forward exchange rates of -10%/+10% (2014 -10%/+10%).

Explanation of other price risk sensitivity

The sensitivity for listed shares has been calculated based on a -10%/+10% (2014 -10%/+10%) movement in the quoted bid share price at year-end for the listed shares.

38 CAPITAL MANAGEMENT

PBE IPSAS 1.148A

The Council's capital is its equity (or ratepayers' funds), which comprise accumulated funds and reserves. Equity is represented by net assets.

The LGA requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the LGA and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure that ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The LGA requires the Council to make adequate and effective provision in its Long-Term Plan (LTP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. The LGA also sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

The Council has the following Council-created reserves:

- reserves for different areas of benefit;
- self-insurance reserves; and
- trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from payers of general rates. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds can generally be approved only by the Council.

Trust and bequest reserves are set up where the Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable, and deductions are made where funds have been used for the purpose they were donated.

39 EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET[84]

PBE IPSAS 1.148.1

Explanations for major variations from the Council's budget figures in its 2014/15 annual plan are as follows:

Statement of comprehensive revenue and expense

Subsidies and grants is greater than budgeted by $650,000 due to the timing of roading capital expenditure and an increased subsidy rate of certain claims from the New Zealand Transport Agency.

Other revenue is greater than budgeted by $1.46 million due to revenue from vested subdivision assets being $950,000 greater than expected and the forestry valuation being $180,000 greater than expected.

Other expenses is greater than budgeted by $1.17 million due to:

- maintenance expenditure being over budget by $802,000 due to unanticipated severe storms during the year and the associated clean-up and repair costs of Council infrastructural assets;
- costs associated with the review of the Council's district plan being over budget by $304,000 due to the review progressing slower than expected; and
- rubbish disposal costs of $196,000 for transporting rubbish to another district. The Council has sought resource consent for an additional landfill that would operate in the southern part of the district and it was anticipated that the additional landfill would be operational during the year. However, the resource consent has not yet been obtained, meaning the Council had to resort to transporting rubbish to another district.

Other comprehensive revenue and expense is greater than budgeted as the Council did not anticipate a property revaluation for the year ended 30 June 2015.

Statement of financial position

- The greatest movement within equity is in accumulated funds due to a larger-than-estimated net surplus.
- There was higher than estimated current borrowings at year end due to a greater than budgeted overdraft of $2.0 million, matched partly by a higher than estimated level of investments of $600,000 and receivables of $1.21 million.

[84] Schedule 10, clauses 25 and 28 of the LGA establish statutory reporting requirements in relation to significant variances against planned results. It may be appropriate to refer here to the sections of the annual report, which provide these statutory comparisons of actual against planned results.

40 ADJUSTMENTS TO THE COMPARATIVE YEAR FINANCIAL STATEMENTS

The Council and group has adjusted its comparative year financial statements for the year ended 30 June 2014 due to reclassification adjustments, transition to the new PBE accounting standards, and the correction of a prior period error. The adjustments are shown in the table below:

		Actual 2014				
	Notes	Before adjustments $000	Reclassification adjustments $000	PBE transition adjustments $000	Correction of error $000	After adjustments $000
Council						
Revenue						
Rates, excluding targeted rates for water supply	(a)	13,941	(13,941)	-	-	-
Rates	(a)	-	15,265	-	-	15,265
Subsidies and grants	(diii),(e)	1,384	-	140	-	1,524
Development and financial contributions	(g)	561	-	-	(450)	111
Fees, charges, and targeted rates for water supply	(a)	4,287	(4,287)	-	-	-
Fees and charges	(a)	-	2,963	-	-	2,963
Other revenue	(b),(f)	3,873	849	(100)	-	4,622
Gains	(b)	849	(849)	-	-	-
Current liabilities						
Payables and deferred revenue	(di),(dii),(diii)	3,237	-	173	450	3,860
Non-current liabilities						
Payables and deferred revenue	(di)	0	-	657	-	657
Equity						
Accumulated funds	(di),(diii)	155,411	-	(617)	(450)	154,344
Reserves	(dii)	54,837	-	(213)	-	54,624
Group						
Revenue						
Rates, excluding targeted rates for water supply	(a)	13,934	(13,934)	-	-	-
Rates	(a)	-	15,258	-	-	15,258
Subsidies and grants	(e)	1,384	-	140	-	1,524
Development and financial contributions		470	-	-	(450)	20
Fees, charges, and targeted rates for water supply	(a)	4,287	(4,287)	-	-	-
Fees and charges	(a),(c)	-	3,900	-	-	3,900
Other revenue	(b),(c)(f)	4,627	(88)	(100)	-	4,439
Gains	(b)	849	(849)	-	-	-
Current liabilities						
Payables and deferred revenue	(di),(dii),(diii)	4,366	-	173	450	4,989
Non-current liabilities						
Payables and deferred revenue	(di)	0	-	657	-	657
Equity						
Accumulated funds	(di),(diii)	155,394	-	(617)	(450)	154,327
Reserves	(dii)	55,607	-	(213)	-	55,394

40 ADJUSTMENTS TO THE COMPARATIVE YEAR FINANCIAL STATEMENTS (CONTINUED)

Explanatory notes

PBE FRS 46.18,42
PBE IPSAS 1.55

Reclassification adjustments

a) For the Council and group, targeted rates for water supply of $1.32 million have been reclassified from fees and charges to rates. Targeted rates are now required to be included within the rates line under the Local Government (Financial Reporting and Prudence) Regulations 2014.

b) For the Council and group, gains of $849,000 have been reclassified to other revenue, as the Council has decided no longer to distinguish between gains and other revenue on transition to the new PBE accounting standards.[85]

c) For the group, $937,000 of revenue from commercial activities has been reclassified from other revenue to fees and charges, as this revenue category is considered more appropriate under the new PBE accounting standards.

The Council and group has changed the presentation of items within the operating cash flow section of the statement of cash flows to:

- reflect the changes in the classification of revenue items described above;
- present the payments to suppliers separately from the payments to employees; and
- add cash flow line items for subsidies and grants received, fees and charges received, and development and financial contributions received. This change has been made to include cash inflow line items that are consistent with the line items used in the statement of comprehensive revenue and expense.

Given the extensive changes described above to the operating cash flows, it is not practicable to disclose the effects of these changes to the comparative information for each line item of the statement of cash flows affected.

PBE FRS 46.42

Adjustments on transition to new PBE accounting standards

d) Payables as at 30 June 2014 has increased by $830,000 ($173,00 current, $657,000 non-current) due to the recognition of a suspensory loan liability of $707,000 and a trusts and bequests liability of $213,000, and the derecognition of deferred grant revenue of $90,000. These three adjustments are explained further below:

i. Suspensory loan from Housing New Zealand

The Council considers that the $1.0 million suspensory loan received from Housing Zealand in relation to social housing is, in substance, a grant with conditions attached. PBE IPSAS 23 *Revenue from Non-Exchange Transactions* requires revenue from the suspensory loan to be recognised when the conditions of the loan are met. The Council considers that it is appropriate to recognise revenue on a straight-line basis over the period of the loan as it provides social housing during the 20-year term of the loan. The proceeds from the loan had been recorded immediately to revenue under NZ IFRS (PBE). Therefore, the loan has been reclassified from accumulated funds to a liability (payables and deferred revenue) and reduces each year on a straight-line basis over the 20-year term.

ii. Bequests and trusts received

The Council has reviewed the documentation for its various bequests and trusts received and has determined that some of these contain substantive use or return conditions. PBE IPSAS 23 requires such bequests and trusts to be recorded as a liability and the liability released to revenue as the conditions of the bequests or trust are satisfied. These bequests and trusts received were initially recorded as revenue and then transferred to reserves under the NZ IFRS (PBE). $213,000 has been reclassified as a liability under the new PBE accounting standards.

iii. Grant received without conditions

During the 2013/14 year, the Council received a grant that included terms around the use of the funds and the unspent funds of $90,000 were recorded as a liability under NZ IFRS (PBE). The Council has determined this grant arrangement does not include any substantive use or return conditions and therefore must be recognised as revenue when received under the new PBE accounting standards.

e) Subsidies and grants revenue for the year ended 30 June 2014 has increased by $140,000 on transition to the new PBE accounting standards due to:

  i. The recognition of revenue from the Housing New Zealand suspensory loan, which reflects a reduction in the suspensory loan liability of $50,000 for the year ended 30 June 2014. The accounting for this liability is explained further in (d) above.
  ii. The recognition of other grants revenue of $90,000 from a grant that has no substantive use or return conditions. The accounting for this liability is explained further in (d) above.

[85] Local authorities can choose to still present gains separately from other revenue.

40 ADJUSTMENTS TO THE COMPARATIVE YEAR FINANCIAL STATEMENTS (CONTINUED)

f) Other revenue for the year ended 30 June 2014 has been reduced by $100,000 on transition to the new PBE accounting standards due to a reduction in the gain on sale of carbon credits of $100,000. The Council received carbon credits for no consideration when these were allocated by the government under the Emissions Trading Scheme. The Council had accounted for these carbon credits at nil under NZ IFRS (PBE). Under the new PBE accounting standards, carbon credits received for no consideration are required to be accounted for at their fair value at initial recognition. The carbon credits were received during 2012 and 2013 and the Council elected to treat their fair value at 1 July 2013 as deemed cost. The fair value of the carbon credits at 1 July 2013 was $100,000 and the carbon credits were sold during the 30 June 2014 financial year for $120,000. Given that the carbon credits were required to be recognised at 1 July 2013, the gain on the sale of carbon credits under the new PBE accounting standards has reduced from $120,000 to $20,000, being the difference between the deemed cost of carbon credits and the sale proceeds.

PBE IPSAS 3.54

Prior year error correction

PBE FRS 46.42

g) During 2014/15, the Council discovered that $450,000 in development contributions charged during 2013/14 was incorrectly accounted for as revenue for the year ended 30 June 2014. Because the service to be provided by the development contributions was not yet provided, or able to provided, the contributions should have been accounted for as revenue in advance as at 30 June 2014 in accordance with the Council's accounting policy. The financial statements for 2014, which are presented as comparative information in the 30 June 2015 financial statements, have been restated to correct this error.

APPENDIX

OTHER LEGISLATIVE DISCLOSURES

1 FUNDING IMPACT STATEMENT FOR WHOLE OF COUNCIL[86,87]

Funding impact statement for the year ended 30 June 2015 (whole of Council)

LGA Sch 10.30

LG(FRP)R Form 5

	2014 Annual plan $000	2014 Actual $000	2015 Annual plan $000	2015 Annual report $000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	10,902	10,996	12,900	12,853
Targeted rates	4,198	4,269	5,056	4,915
Subsidies and grants for operating purposes	456	324	333	426
Fees and charges	3,202	3,463	3,846	4,428
Interest and dividends from investments	605	701	880	933
Local authorities fuel tax, fines, infringement fees, and other receipts	980	1,038	1,012	1,204
Total operating funding (A)	20,343	20,791	24,027	24,759
Applications of operating funding				
Payments to staff and suppliers	16,879	17,815	15,505	16,294
Finance costs	2,014	2,276	2,456	2,317
Other operating funding applications	4,978	4,454	3,876	4,074
Total applications of operating funding (B)	23,871	24,545	21,837	22,685
Surplus/(deficit) of operating funding (A-B)	(3,528)	(3,574)	2,190	2,074
Sources of capital funding				
Subsidies and grants for capital expenditure	1,470	1,200	1,333	1,890
Development and financial contributions	120	111	560	571
Increase/(decrease) in debt	1,250	1,000	2,233	2,127
Gross proceeds from sale of assets	1,879	2,173	571	1,479
Lump sum contributions	-	-	130	150
Other dedicated capital funding	-	-	-	-
Total sources of capital funding (C)	4,719	4,484	4,827	6,217

[86] The figures included in the illustrative funding impact statement are fictitious and may not necessarily reconcile to the figures included in the Te Motu District Council financial statements.

[87] The Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) updated the presentation requirements for sources of operating funding in the funding impact statements. A requirement in the 2014 Regulation is to include targeted rates for water supply in the targeted rates line. The previous regulation required targeted rates for water supply to be included in the fees and charges line. This change was not mandatory for the 2014/15 annual plan. However, some Councils may have early adopted the change arising from the new Regulation. For the 30 June 2015 whole of Council funding impact statement in the annual report, targeted rates for water supply shall be presented in a manner consistent with the 2014/15 annual plan funding impact statement presentation i.e. targeted rates for water supply will be either included the targeted rates line or the fees and charges line. Annual plans, long-term plans, and annual financial statements for periods starting on or after 1 July 2015 must include targeted rates for water supply in the targeted rates line in the funding impact statements. Schedule 1 of the 2014 Regulation provides further information on the transitional provisions.

Funding impact statement for the year ended 30 June 2015 (whole of Council continued)

Application of capital funding

	2014 Annual plan $000	2014 Actual $000	2015 Annual plan $000	2015 Annual report $000
Capital expenditure:				
– To meet additional demand	600	474	1,368	1,461
– To improve the level of service	458	355	684	1,096
– To replace existing assets	1,504	1,539	4,789	4,750
Increase/(decrease) in reserves	110	142	246	346
Increase/(decrease) of investments	(1,481)	(1,780)	(70)	638
Total applications of capital funding (D)	1,191	730	7,017	8,291
Surplus/(deficit) of capital funding (C-D)	3,528	3,754	(2,190)	(2,074)
Funding balance ((A-B)+(C-D))	0	0	0	0

Good practice for early adopting Councils

The Council early adopted the revised financial reporting provisions of the Local Government (Financial Reporting and Prudence) Regulations 2014 in preparing the 2014/15 annual plan. To ensure comparability with the 2015 information, the 2014 annual plan and actual figures for targeted rates and fees and charges have been restated to include targeted rates for metered water supply in the targeted rates line. The 2013/14 annual plan included targeted rates for metered water supply in the fees and charges line.

2 FUNDING IMPACT STATEMENT FOR GROUP OF ACTIVITIES[88]

Funding impact statement for the year ended 30 June 2015 for water

LGA Sch 10.26
LG(FRP)R Form 4

	2014 Long-Term Plan $000	2015 Long-Term Plan $000	2015 Actual $000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	2,185	2,310	2,350
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding (A)	2,185	2,310	2,350
Applications of operating funding			
Payments to staff and suppliers	547	555	564
Finance costs	-	-	-
Internal charges and overheads applied	457	560	534
Other operating funding applications	-	-	-
Total applications of operating funding (B)	1,004	1,115	1,098
Surplus/(deficit) of operating funding (A-B)	1,181	1,195	1,252
Sources of capital funding			
Subsidies and grants for capital expenditure	214	145	145
Development and financial contributions	124	130	95
Increase/(decrease) in debt	17	1,783	1,668
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	355	2,058	1,908
Application of capital funding			
Capital expenditure:			
– To meet additional demand	55	60	62
– To improve the level of service	245	145	156
– To replace existing assets	1,236	3,048	2,942
Increase/(decrease) in reserves	-	-	-
Increase/(decrease) of investments	-	-	-
Total applications of capital funding (D)	1,536	3,253	3,160
Surplus/(deficit) of capital funding (C-D)	(1,181)	(1,195)	(1,252)
Funding balance ((A-B)+(C-D))	0	0	0

Good practice for early adopting Councils

The 2014 and 2015 long-term plan figures for targeted rates and fees and charges have been restated to include targeted rates for metered water supply in the targeted rates line. The 2012-2022 long-term plan included targeted rates for metered water supply in the fees and charges line. This is to ensure comparability with the 2015 actual information.[89]

[88] The figures included in the illustrative funding impact statement are fictitious and may not necessarily reconcile to the figures included in the Te Motu District Council financial statements.
[89] Local authorities that did not early adopt the financial reporting provisions of the 2014 Regulations will not restate their long-term plan comparatives.

3 RATING BASE INFORMATION

LGA Sch 10.30A

The following rating base information is disclosed based on the rating base information at the end of the **preceding** financial year:

	30 June 2014
The number of rating units	8,328
The total capital value of rating units	3,873,200,725
The total land value of rating units	2,174,456,425

4 INSURANCE OF ASSETS

LGA Sch 10.31A

The following information relates to the insurance of Council assets as at 30 June.[90]:

	30 June 2015	30 June 2014
The total value of all Council assets covered by insurance contracts		
The maximum amount to which insured assets are insured		
The total value of all Council assets covered by financial risk sharing arrangements		
Maximum amount available to the Council under financial risk sharing arrangements		
Total value of assets that are self-insured		
The value of funds maintained for self-insurance		

In the event of natural disaster, central government may contribute up to 60% towards the restoration of water, drainage and sewerage assets, and provide a subsidy towards the restoration of roads.

[90] While not required, local authorities could disaggregate the asset insurance information further, such as by class of asset. Extra contextual information should be provided where necessary.

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