Audit New Zealand
Mana Arotake Aotearoa

Model Financial Statements
Te Motu Regional Economic Development Trust
2014/15

Model Financial Statements for a Council-Controlled Organisation prepared under the Tier 3 Public Sector Public Benefit Entity Simple Format Reporting Accrual Standard

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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FOREWORD

I am pleased to introduce our first model financial statements for Tier 3 reporting entities. These model financial statements are prepared using the new public sector public benefit entity (PBE) simple format reporting accrual standard (SFR-A). While these model financial statements are designed for small council-controlled organisations (CCOs), public sector PBEs in other sectors that apply the SFR-A standard will also find the model financial statements useful.

Entities that have previously applied New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) should generally find that the SFR-A standard significantly simplifies their financial reporting. I therefore encourage eligible entities to apply the SFR-A standard.

Focus

The model financial statements have been prepared especially to help guide small CCOs to prepare financial statements that comply with the SFR-A standard. The model may also assist in reducing the costs in transitioning to the new SFR-A standard and contribute to an efficient financial statement audit.

The financial statements included in this model are only part of what is required to be included in a CCO's annual report. The other legislative requirements for a CCO's annual report are set out in sections 67 to 69 of the Local Government Act 2002.

The 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 SFR-A standard and evolving good practice in applying the standard to CCOs.

We welcome any feedback on the application of this model to CCOs or any other comments that may help with 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 staff who have contributed to these model financial statements, particularly Kim Crombie, Brett Story, Stephen Lewis, and Robert Cox.

Stephen Walker
Executive Director
June 2015

ABOUT THE MODEL FINANCIAL STATEMENTS

Objective

The main objective of this model is to guide small CCOs in preparing financial statements that comply with the new Tier 3 SFR-A standard.

The model financial statements have been prepared using a fictitious non-company entity, Te Motu Regional Economic Development Trust (the Trust).

Although this model is based on a CCO that is a trust, most of the model would apply equally to CCOs that are of a different legal nature (for example, incorporated societies or companies).

The model is prepared on the basis that the Trust is a public sector PBE and is eligible to apply the Tier 3 SFR-A standard.

Main updates to the model

Due to the large number of changes made to the model in transitioning from NZ IFRS to the SFR-A standard, it is not practicable to detail all the changes in applying this new PBE standard. However, the main changes to the amounts recognised in the model are disclosed in note 24 of the financial statements.

Content

Included in the model are:

- entity information (as required by section 3 of SFR-A);
- a statement of financial performance;
- a statement of financial position;
- a statement of cash flows;
- a statement of accounting policies; and
- notes to the financial statements.

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

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

The model does not address all the possible recognition, measurement, presentation, and disclosure requirements of the SFR-A standard. CCOs should not use the model as a substitute for referring to the SFR-A standard applicable to their specific circumstances.

References to specific standards are provided in the left margin of the model.

The model does not include all the information that is required to be disclosed by sections 67 to 69 of the Local Government Act 2002 (the LGA) in a CCO's annual report. In particular, the model does not include the non-financial performance information required under section 68 of the LGA.

Statement of service performance

CCOs are required to prepare a statement of service performance that meets both the performance reporting requirements of the LGA and section 4 of the SFR-A standard.

Transactions not covered by the SFR-A standard

Due to the simple nature of the SFR-A standard, entities may enter into transactions that are not specifically covered by the standard. In this case, an entity should use its judgement to determine an appropriate method of accounting for the transactions that results in the financial statements providing relevant and reliable information. An entity shall refer to, and consider the applicability of, the following in descending order:

a) The principles and requirements in the SFR-A standard dealing with similar and related transactions or events; and
b) The definitions and concepts in the PBE *Framework* to the extent that they do not conflict with the SFR-A standard.

In making the judgement described above, entities may also consider (but are not required to apply) the relevant requirements in the Tier 2 PBE Accounting Standards dealing with the same, similar, or related transactions or events.

MODEL FINANCIAL STATEMENTS INDEX

A8(a),A15,A17

TE MOTU REGIONAL ECONOMIC DEVELOPMENT TRUST
ENTITY INFORMATION FOR THE YEAR ENDED 30 JUNE 2015[1]

A38(a)

Legal name

Te Motu Regional Economic Development Trust (the Trust).

A38(a)

Type of entity and legal basis

The Trust is incorporated in New Zealand under the Charitable Trusts Act 1957. The Trust is controlled by Te Motu Regional Council and is a council-controlled organisation as defined in section 6 of the Local Government Act 2002.

A38(b)

The Trust's purpose or mission

The primary objective of the Trust is to encourage, promote, and support the establishment and growth of business investment and employment opportunities within the Te Motu region.

A38(c)

Structure of the Trust's operations, including governance arrangements

The Trust comprises a Board of five Trustees who oversee the governance of the Trust, a Chief Executive who is responsible for the day-to-day operations of the Trust and reporting to the Trustees, and eight other full-time staff who support the Chief Executive in delivering against the Trust's objectives. The Trustees are appointed by the Te Motu Regional Council.

A38(d)

Main sources of the Trust's cash and resources

Operating grants received from the Te Motu Regional Council and central government agencies are the primary sources of funding to the Trust.

A40

Outputs

[If an entity does not prepare a statement of service performance, it shall disclose a general description of the outputs (that is, the goods or services produced by the entity) of the entity in the entity information].

A38(e)

Other information

[Entities shall also disclose any additional information that is considered essential to users' overall understanding of the entity].

[1] The entity information in this section will need be relevant to each entity's particular circumstances. The amount of detail will depend on the size of the entity and the complexity of its operations.

A8(b),A15,A17

TE MOTU REGIONAL ECONOMIC DEVELOPMENT TRUST
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015[2,3]

Ref		Notes	Actual 2015	Budget[4] 2015	Actual[5,6] 2014
A14,A18,A19					
A56-A63	**Revenue**				
	Council funding	1	1,395,000	1,407,000	1,200,000
	Central government funding		441,448	420,000	411,370
	Sales of goods and services		67,470	60,000	64,970
	Interest, dividends, and other investment revenue		7,234	6,000	7,001
	Other grants and donations received	2	37,530	30,000	38,480
	Other revenue	3	10,518	6,000	6,876
A50	*Total revenue*		1,959,200	1,929,000	1,728,697
A74-81	**Expenses**				
	Employee-related costs	4	929,098	917,000	823,849
	Advertising and marketing costs		473,987	470,000	369,351
	Lease expense		212,340	210,000	204,647
	Depreciation of property, plant, and equipment	11	82,923	81,000	84,220
	Costs of providing goods and services		63,247	60,000	59,478
	Trustee fees	21	59,750	59,750	52,750
	Interest on bank overdraft		1,478	1,500	1,017
	Other expenses	5	115,696	129,750	116,857
A50	*Total expenses*		1,938,519	1,929,000	1,712,169
A51	Surplus/(deficit) before tax		20,681	0	16,528
A51	Income tax expense	6	0	0	0
A50	**Surplus/(deficit) after tax**		**20,681**	**0**	**16,528**

Good practice — Explanations of major variances against budget are provided in note 23.

2 Entities shall not change the way information is presented in the financial statements, or the categories of disclosure, from one period to the next unless there has been a significant change in the entity's operations, or the SFR-A standard requires a change (A23). Any changes to presentation or categories of disclosure require changes to the comparative amounts, unless it is impracticable to do so (A24).
3 Revenues and expenses and assets and liabilities shall not be offset against each other in the financial statements (A25-A26).
4 Entities required by law to publish their budget are required to report budgeted information in an additional column alongside their actual results as further comparative information. Other entities may choose to, but are not required to, report budgeted information (or plans) alongside their actual results (A19). We consider it good practice that entities provide an explanation of major variances against budget in the notes when a budget column is presented.
5 Comparative information for the previous year shall be included in the statement of service performance, statement of financial performance, statement of financial position, statement of cash flows, and any associated notes unless the SFR-A standard specifically allows otherwise. Comparative information shall also be provided for the disclosures about related parties in the notes (A18).
6 For the first financial statements prepared using the SFR-A standard, entities can elect to apply the new standard from the start of the current year or from the start of the comparative year and restate that comparative information. If an entity elects to apply the new standard from the start of the current year, comparative information is not required. However, the entity shall attached its previous financial statements and a list of its previous accounting policies if it elects to not present comparative information in the first financial statements prepared using the new standard (B10).

A8(c),A15,A17

TE MOTU REGIONAL ECONOMIC DEVELOPMENT TRUST
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

		Notes	Actual 2015	Budget 2015	Actual 2014
A14,A18,A19					
	Assets				
A94	**Current assets**[7]				
A94(a),A95	Bank accounts and cash[8]	7	212,183	244,150	127,400
A94(b),A96,A97	Debtors and prepayments	8	73,766	74,597	113,311
A94(e),A100	Investments[9]	9	20,132	20,000	18,756
A94(c),A98	Inventory	10	155,350	152,100	151,270
	Total current assets		461,431	490,847	410,737
A94	**Non-current assets**				
A94(e),A100	Investments	9	100,868	101,000	100,944
A94(d),A99	Property, plant, and equipment	11	229,744	232,300	246,544
	Total non-current assets		330,612	333,300	347,488
A90	**Total assets**		**792,043**	**824,147**	**758,225**
	Liabilities				
A121	**Current liabilities**[10]				
A121(a)	Bank overdraft	7	2,687	0	0
A121(b),A122,A123	Creditors and accrued expenses	12	106,110	109,850	120,310
A121(c),A124	Employee costs payable	13	27,400	26,045	24,280
A121(d),A125	Grants and funding subject to conditions	14	51,562	110,000	32,317
A121(e)	Loans	15	7,313	8,350	10,000
	Total current liabilities		195,072	254,245	186,907
A121	**Non-current liabilities**				
A121(e)	Loans	15	29,000	22,750	25,000
A131	Lease make-good provision	16	35,238	35,100	34,266
	Total non-current liabilities		64,238	57,850	59,266
A90	**Total liabilities**		**259,310**	**312,095**	**246,173**
A90	**Total assets less total liabilities**		**532,733**	**512,052**	**512,052**
A141	**Trust equity**[11]				
A141(a),A142,A143	Contributed capital	17	83,200	83,200	83,200
A141(b),A144	Accumulated surpluses	17	449,533	428,852	428,852
A90	**Total Trust equity**		**532,733**	**512,052**	**512,052**

Good practice — Explanations of major variances against budget are provided in note 23.

[7] Current assets are those assets intended to be converted to cash within 12 months of the balance date. For example, debtors expected to be collected within a few months after balance date, or inventory that is expected to be sold or used within 12 months of balance date (A104). Assets not intended to be converted to cash within 12 months of balance date shall be classified as non-current.
[8] Bank accounts and cash comprise petty cash, cheque or savings accounts, and deposits held at call with banks (A95).
[9] Investments are shares, term deposits, bonds, units in unit trusts, or similar instruments held by the entity (A100).
[10] Current liabilities are those liabilities due to be paid within 12 months of the balance date (A130). Liabilities not due to be paid within 12 months of the balance date shall be classified as non-current.
[11] A category for reserves shall be presented when relevant (A141(c)). For example, for restricted or discretionary reserves (A145). A property revaluation reserve shall also be presented if an entity has elected to revalue its land and buildings.

A8(d),A15,A17

TE MOTU REGIONAL ECONOMIC DEVELOPMENT TRUST
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

A14,A18,A19		Note	Actual 2015	Budget 2015	Actual 2014
A155,A160-A166	**Cash flows from operating activities**				
A160(a)	Receipts of council funding		1,395,000	1,407,000	1,200,000
A160(a)	Receipts of central government funding		441,448	420,000	411,370
A160(b)	Receipts from sale of goods and services		76,108	70,000	76,500
A160(d)	Interest, dividends, and other investment receipts		6,008	6,000	6,987
A160(c)	Receipts of other grants and donations		76,300	48,250	61,049
A164	Receipts from other revenue		3,300	5,000	6,459
A160(e)	Payments to suppliers and employees		(1,855,542)	(1,865,000)	(1,619,702)
A164	Interest paid		(1,478)	(1,250)	(1,017)
A164	GST (net)		(29,316)	0	(16,987)
A155	*Net cash flow from operating activities*		111,828	90,000	124,659
A155,A167-A171	**Cash flows from investing and financing activities**[12]				
A167(a)	Receipts from sale of property, plant, and equipment		9,768	0	0
A167(b)	Receipts from sale of investments		330,000	320,000	340,000
A167(c)	Proceeds from loans		0	0	0
A167(d)	Proceeds from capital contributions		0	0	63,200
A167(e)	Payments to acquire property, plant, and equipment		(33,200)	(40,000)	(45,200)
A167(f)	Payments to acquire investments		(331,300)	(310,000)	(365,000)
A167(g)	Repayment of loans		(5,000)	(5,000)	0
A155	*Net cash flow from investing and financing activities*		(29,732)	(35,000)	(7,000)
A155	**Net increase/(decrease) in cash for the year**		82,096	55,000	117,659
A155,172	Add opening bank accounts and cash, including bank overdraft		127,400	189,150	9,741
A155,172	**Closing bank accounts and cash, including bank overdraft**[13]	7	**209,496**	**244,150**	**127,400**

Good practice Explanations of major variances against budget are provided in note 23.

[12] Entities can elect to report cash flows from investing activities separately from cash flows from financing activities (A156).
[13] Cash balances is the same amount reported as "bank accounts and cash" less "bank overdrafts" as reported in the statement of financial position. It includes petty cash, cheque or savings accounts, deposits held at call with banks, and bank overdrafts (A172).

A8(e),A15,A17

TE MOTU REGIONAL ECONOMIC DEVELOPMENT TRUST
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

A174(a) **ACCOUNTING POLICIES APPLIED**

BASIS OF PREPARATION

A177(a) The Board has elected to apply PBE SFR-A (PS) *Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)* on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than $2 million.

A177(b) All transactions in the financial statements are reported using the accrual basis of accounting.

A177(c) The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.[14]

GOODS AND SERVICES TAX

A179 The Trust is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.[15]

A180,A181 ***SIGNIFICANT ACCOUNTING POLICIES***[16]

A64 **Revenue**

A65-A69 *Grants*

Council, government, and non-government grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

A64 *Sale of goods*

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

A64 *Sale of services*

Revenue from the sale of services is recognised by reference to the stage of completion of the services delivered at balance date as a percentage of the total services to be provided.

A64 *Donated assets*

Revenue from donated assets is recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the value of the asset is readily obtainable and significant.

A64 *Interest and dividend revenue*

Interest revenue is recorded as it is earned during the year. Dividend revenue is recognised when the dividend is declared.

Employee related costs

A82 Wages, salaries, and annual leave are recorded as an expense as staff provide services and become entitled to wages, salaries, and leave entitlements.

A82 Performance payments are recorded when the employee is notified that the payment has been granted.

A82 Superannuation contributions are recorded as an expense as staff provide services.

Advertising, marketing, administration, overhead, and fundraising costs

A82 These are expensed when the related service has been received.

A82 **Lease expense**

Lease payments are recognised as an expense on a straight-line basis over the lease term.

Bank accounts and cash

A95 Bank accounts and cash comprise cash on hand, cheque or savings accounts, and deposits held at call with banks.

Bank overdrafts are presented as a current liability in the statement of financial position.

Debtors

A109,A110 Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

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[14] If the assumption of continuity is not appropriate this needs to be disclosed in the statement of accounting policies (A178). Paragraph A212 also requires the following to be disclosed in the notes:
a) A statement that the entity intends to stop operating or that it is unlikely the entity will be able to continue operating;
b) The reason why the entity intends to stop operating or why it may not be able to continue operating; and
c) The estimated effect of the entity's circumstances on the amounts of the entity's assets and liabilities.

[15] An entity shall disclose whether it is registered for GST, and whether the financial statements are prepared on a GST-inclusive or GST-exclusive basis (A179). Entities may prepare the financial statements on either a GST-inclusive or a GST-exclusive basis, provided that GST is reported in a consistent way throughout the financial statements (A21).

[16] Entities are required to disclose the accounting policy for each significant type of transaction or balance (A180).

Inventory

A109 Inventory is initially recorded at cost. Goods held for sale are subsequently measured at the lower of cost and their selling price. Goods for use or distribution are subsequently measured at cost and written down if they become obsolete.

Investments

Good practice Investments comprise investments in terms deposits with banks, listed bonds, and listed shares.

A109 Deposits with banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered, it is written down to the expected recoverable amount.

A109 Listed bonds and shares are initially recorded at the amount paid. If the market price of the investment falls below cost, the carrying value of the investment is reduced to the current market price. If the market price of the investment subsequently increases, the carrying amount of the investment is increased but limited to the original cost of the investment.[17]

Property, plant, and equipment

A109 Property, plant, and equipment is recorded at cost, less accumulated depreciation and impairment losses.[18]

A64 Donated assets are recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the current value of the asset is readily obtainable and significant. Significant donated assets for which current values are not readily obtainable are not recognised.

A109 For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount.

A109 For an asset to be used by the Trust, the asset is impaired if the value to the Trust in using the asset falls below the carrying amount of the asset.

A109 Depreciation is provided on a straight-line basis at rates that will write off the cost of the assets over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Furniture and fittings	5 years (20%)
Computers and software	3 to 5 years (20% to 33%)
Motor vehicles	5 years (20%)

Creditors and accrued expenses

A134 Creditors and accrued expenses are measured at the amount owed.

Employee costs payable

A134 A liability for employee costs payable is recognised when an employee has earned the entitlement.

A134,A136 These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date. A liability and expense for long service leave and retirement gratuities is recognised when the entitlement becomes available to the employee.

Loans

A134 Loans are recognised at the amount borrowed from the lender. Loan balances include any interest accrued at year-end that has not yet been paid.

Provisions

A134-A136 The Trust recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Income tax[19]

Good practice Tax expense is calculated using the taxes payable method. As a result, no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.[20]

Budget figures

Good practice The budget figures are derived from the statement of intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with Tier 3 standards, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

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[17] The SFR-A standard does not address the accounting for the reversal of a previous write-down for an investment that was written-down because the market price fell below its cost. We consider a reasonable accounting policy is that the previous write-down can be subsequently reversed but limited to the original cost of the investment. The standard does not permit increasing the principal value of an investment above its cost. If an entity wishes to revalue certain investments above cost, it can decide to opt up to PBE IPSAS 29 *Financial Instruments: Recognition and Measurement* and apply that standard to all investments of that type (7).

[18] If an entity elects to revalue a class of property, plant, and equipment, it shall apply the relevant requirements of PBE IPSAS 17 *Property, Plant and Equipment,* except that the entity may use the current rating valuation (rather than fair value as required by PBE IPSAS 17) when revaluing. Where this is the case, the entity shall disclose the source and date of the valuation in the notes to the financial statements (A116).

[19] If an entity is exempt from income tax, we recommend this fact be disclosed in the income tax accounting policy.

[20] The SFR-A standard does not specifically deal with income tax. After consider the requirements of paragraph 6, we consider a reasonable approach in accounting for tax is to account for current taxes but not to account for deferred tax. If an entity wishes to account for deferred tax, it will need to apply the relevant requirements of NZ IAS 12 *Income Taxes*.

Tier 2 PBE Accounting Standards applied

A182 The Trust has not applied any Tier 2 Accounting Standards in preparing its financial statements.[21]

A174(b),B6 **CHANGES IN ACCOUNTING POLICIES AND TRANSITION TO THE NEW PBE SFR-A (PS) STANDARD**

This is the first set of financial statements prepared using the new PBE SFR-A (PS) standard, and comparative information for the year ended 30 June 2014 has been restated to comply with the new standard. The significant adjustments arising on transition to the new standard are provided in note 24.[22]

A8(f),A15,A17,A18

TE MOTU REGIONAL ECONOMIC DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

A63

1 Council funding

	2015	2014
Grants	1,100,000	1,000,000
Sales	295,000	200,000
Total council funding	**1,395,000**	**1,200,000**

A63

2 Other grants and donations received

	2015	2014
Non-government grants received	15,000	0
Donated cash	12,750	27,130
Donated plant and equipment	9,780	11,350
Total other grants and donations received	**37,530**	**38,480**

A190

Revenue with conditions, which has not been recorded as a liability[23]

Description	Original amount	Not fulfilled amount	Purpose and nature of the conditions
Regional business promotional grant from the Te Motu Promotion Trust	$15,000	$5,000	The grant requires the Trust to spend the funds on the regional business festivals that are being held during June and July 2015. Although this grant is for this specific purpose, there is no obligation to return unspent funds, so no liability has been recorded for the unspent amount.

Donated goods or services not recognised

A191 During the year, the Trust received professional accounting and taxation services at no charge.[24]

Valuation of donated plant and equipment

A193 During the year, the Trust received donated computer equipment. The value of equipment was determined by reference to market information for computers of a similar type, condition, and age at the time the equipment was received.[25]

[21] If an entity has elected to apply a provision of the Tier 2 PBE Accounting Standards in place of a requirement of PBE SFR-A (PS), the Tier 2 PBE Accounting Standard applied shall be disclosed (A182).
[22] The disclosure of restatements arising from the transition to the new PBE SFR-A (PS) Standard is encouraged, but is not required (B6).
[23] Paragraph A190 requires an entity that has received government funding or a significant grant or donation with conditions attached that are not “use or return” conditions, which have not been fulfilled at balance date, to disclose:

a) In the case of cash funding, donations, and grants, the amount of the funding, grant, or donation and the amount for which the conditions have not been fulfilled;
b) In the case of significant donated assets, details of donated assets and, if recorded, the amount of the donated assets; and
c) A description of the purpose and nature of the conditions of the funding, grant, or donation.

[24] An entity shall disclose in the notes a description of any significant goods or services in kind provided to the entity, such as free professional services. A dollar quantification may be provided as an optional disclosure (A191).
[25] An entity shall disclose the source and the date of the valuation of assets for significant donated assets.

A63

3 Other revenue

	2015	2014
Net gain on sale of property, plant, and equipment	7,284	0
Other revenue	3,234	6,876
Total other revenue	**10,518**	**6,876**

A81

4 Employee related costs

	2015	2014
Salaries and wages	902,578	799,775
Employer superannuation contributions	23,400	21,250
Other employee related costs	3,120	2,824
Employee related costs	**929,098**	**823,849**

A81

5 Other expenses

	2015	2014
Audit fees for the financial statement audit	20,500	15,000
Bad debt expense	24,901	42,832
Administration and overhead costs	42,345	41,086
Fundraising expenses	1,678	3,458
Website development expenses	1,620	1,879
Other expenses	24,652	12,602
Total other expenses	**115,696**	**116,857**

A81

6 Income tax

		2015	2014
Good practice	**Components of income tax expense**		
	Current tax	0	0
	Adjustments to current tax in prior years	0	0
	Income tax expense	0	0
Good practice	**Relationship between income tax expense and accounting surplus**		
	Net surplus/(deficit) before tax	20,681	16,528
	Tax at 33%	6,825	5,454
	Plus/(less) tax effects of:		
	- Non-taxable revenue	(621,720)	(546,480)
	- Non-deductible expenses	627,187	535,826
	- Tax losses utilised	(12,292)	5,200
	Income tax expense	**0**	**0**

Good practice

Unused tax losses of $45,060 (2014 $82,308) are available to carry forward and offset against future taxable income.

Good practice

The Trust is not a registered charity and therefore is not exempt from income tax as a charity. The Trust is in discussion with the Inland Revenue Department about its tax status under section CW 40 of the Income Tax Act 2007 and in the meantime has assumed the Trust is subject to income tax.[26]

[26] This disclosure is only relevant to those entities, such as economic development trusts, where there may be uncertainties surrounding the tax status of the entity. The disclosure would need to be relevant to the specific circumstances of the entity.

A108

7 Bank accounts and cash

	2015	2014
Cash on hand	2,000	2,000
Cheque account	190,003	106,300
Savings account	20,180	19,100
Total bank accounts and cash	**212,183**	**127,400**
Bank overdrafts	(2,687)	0
Net bank accounts and cash for the purposes of the statement of cash flows	**209,496**	**127,400**

Good practice

A108

8 Debtors and prepayments

	2015	2014
Gross debtors	76,099	150,713
Provision for impairment	(23,790)	(41,150)
Net debtors	52,309	109,563
Prepayments	21,457	3,748
Total debtors and prepayments	**73,766**	**113,311**

A108

9 Investments

	2015	2014
Current portion		
Term deposits	20,132	18,756
Non-current portion		
Listed bonds	40,321	40,101
Listed shares	60,547	60,843
Total non-current portion	100,868	100,944
Total investments	**121,000**	**119,700**

Good practice

The market value of listed bonds and shares at balance date is $120,123 (2014 $116,231).[27]

A108

10 Inventory

	2015	2014
Publications held for distribution at no charge	103,570	108,100
Items held for sale	51,780	43,170
Total inventory	**155,350**	**151,270**

[27] We consider it good practice to disclose market value information for material investments only when the information is readily available, such as when the investments are listed on a stock exchange and price information is publicly available.

A108

11 Property, plant, and equipment[28]

A192(a)

	Furniture and fittings	Computers and software	Motor vehicles	Total
A192(b) Carrying amount at 1 July 2013	47,260	77,640	159,744	284,644
Additions[29]	40,200	5,920	0	46,120
Disposals (net of accumulated depreciation)	0	0	0	0
A192(c) Depreciation expense	(15,200)	(28,020)	(41,000)	(84,220)
A192(d) Carrying amount at 30 June 2014	72,260	55,540	118,744	246,544
A192(b) Carrying amount at 1 July 2014	72,260	55,540	118,744	246,544
Additions	23,200	45,407	0	68,607
Disposals (net of accumulated depreciation)	0	0	(2,484)	(2,484)
A192(c) Depreciation expense	(14,702)	(30,221)	(38,000)	(82,923)
A192(d) Carrying amount at 30 June 2015	80,758	70,726	78,260	229,744

A194 The Trust has not recognised the artworks donated to it for display in the visitor centre because values of the artworks are not readily available.[30]

A133

12 Creditors and accrued expenses

	Actual 2015	Actual 2014
Creditors	26,130	43,090
Accrued expenses	79,980	77,220
Total creditors and accrued expenses	**106,110**	**120,310**

A133

13 Employee costs payable

	Actual 2015	Actual 2014
Accrued salaries and wages	2,300	2,100
Annual leave	11,450	10,150
Bonuses	3,150	2,830
Long service leave and retirement gratuities	10,500	9,200
Total employee costs payable	**27,400**	**24,280**

14 Grants and funding subject to conditions[31]

A133

	Actual 2015	Actual 2014
Council funding	0	20,200
Central government funding	49,562	12,317
Donations	2,000	0
Total grants and funding subject to conditions	**51,562**	**32,317**

[28] An entity shall disclose the source and the date of the valuation of assets for any assets recorded at valuation and any other assets for which the entity has chosen to disclose a current value (A193). For example, where an entity has recognised assets donated during the year or elected to revalue land or buildings to fair value under PBE IPSAS 17.
[29] Entities are not required to present asset additions and disposal information in this table. However, we consider it good practice to disclose this information to show the movement in the carrying amount of property, plant, and equipment for the year.
[30] Where significant donated assets or heritage assets have not been recorded in the statement of financial position because values are not readily obtainable, an entity shall disclose a description of the assets, categorised by class where appropriate (A194 and A195).
[31] An alternative presentation would be to analyse each significant grant or funding arrangement by providing a description of the arrangement.

A133

15 Loans

	2015	2014
Current portion		
Loan from Te Motu Regional Council	7,313	10,000
Non-current portion		
Loan from Te Motu Regional Council	29,000	25,000
Total loans	**36,313**	**35,000**

Good practice

The loans from Te Motu Regional Council, with a face value of $36,313 (2014 $35,000), are issued at a nil interest rate. $7,313 of the loan is repayable on 31 July 2015 with the remaining loan amount of $29,000 repayable on 31 July 2018.

A196

The loans are unsecured.[32]

A133

16 Lease make-good provision

	2015	2014
Leasehold restoration provision		
Balance at 1 July	34,266	28,728
Additional provisions made	2,741	5,538
Amounts used	(1,769)	0
Unused amounts reversed	0	0
Balance at 30 June	**35,238**	**34,266**

Good practice

The Trust is required to make good the premises it leases at expiry of the lease term, which is 29 April 2019.

A198

17 Equity[33]

	2015	2014
Contributed capital		
Balance at 1 July	83,200	20,000
Capital contribution	0	63,200
Balance at 30 June	83,200	83,200
Accumulated surpluses		
Balance at 1 July	428,852	412,324
Surplus/(deficit) for the year	20,681	16,528
Balance at 30 June	449,533	428,852
Total equity	**532,733**	**512,052**

[32] If an entity has used any of its assets as security for loans borrowed, paragraph A196 requires the entity to disclose information about:
a) The nature and amount of the loan that is secured; and
b) The nature and amount of the asset(s) used as security.

[33] Entities shall provide an explanation of the movements between the opening and closing balances for all categories of equity, and disclose the nature and purpose of each reserve (A198).

A200

18 Commitments

			2015	2014
	Commitment type	**Explanation and timing**		
A200(b)	Commitments to purchase property, plant, and equipment	This represents the order of 2 vehicles, which are expected to be received and paid for in August 2015.	42,478	0
A200(a)	Commitments to lease or rent assets	This represents the lease of Office space with a renewal option at April 2016 for 3 years that is unlikely to be exercised. The current monthly rental payments are $17,695.	179,650	179,650
A200(c)	Commitments to provide loans or grants	The Trust has committed to underwrite a $20,000 loan to a local business should the business not be successful in obtaining a commercial loan.	20,000	0
	Total commitments		**242,128**	**179,650**

19 Contingent liabilities

A202 The Trust has one legal proceeding against it in relation to a personal grievance claim (2014 nil). The potential liability to the Trust, if the claim is successful, is $25,000. The probable outcome of the personal grievance will not be known until legal proceedings progress further. The Trust has no insurance to cover the costs of this claim.

A203 The Trust has guaranteed the loans of two local businesses with a total principal amount of $22,000 (2014 $22,000). The loans mature in 2019 and 2020. The Trust considers there is a low risk of a payment under the guarantee.[34]

20 Related-party transactions

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 conditions no more or less favourable than those that it is reasonable to expect the Trust would have adopted in dealing with the party at arm's length in the same circumstances.

Related-party transactions significant to the Trust requiring disclosure

A209 The Trust has outstanding loans at a nil interest rate of $36,313 (2014 $35,000) with the Te Motu Regional Council. The Trust was settled by the Te Motu Regional Council, which has ultimate control of the Trust.

The Trust purchased legal services totalling $10,500 (2014 $nil) from Lawyers Limited, a legal firm of which [Trustee 1] is a Partner. The services were procured without going through a tender process and the contracted hourly rates of the legal staff are at a significant discount compared to normal market rates. An amount of $2,500 was outstanding at 30 June 2015 (2014 $nil).

Good practice[35]

21 Trustee fees[36]

	2015	2014
Trustee 1	20,000	15,000
Trustee 2	17,000	15,000
Trustee 3	12,000	12,000
Trustee 4	5,750	5,750
Trustee 5	5,000	5,000
Total trustee fees	**59,750**	**52,750**

[34] Entities are required by paragraph 203 to disclose the following information for each guarantee or class of guarantee:
a) The nature of the guarantee;
b) The maximum amount of any guarantees provided to others; and
c) The likelihood of the entity being required to make payment under the guarantee.

[35] Some entities may be required by law to disclose detailed information about remuneration to the governing body and employees. For example, the Crown Entities Act 2004 requires detailed remuneration disclosures.

[36] The actual names of Trustees should be included in this disclosure.

22 Events after the balance date[37]

A34-A36,A210

Subsequent to balance date, the Trust refinanced $5,000 of the current portion of the loan from Te Motu Regional Council. The loan was refinanced for a five-year period. The new loan was refinanced at a commercially based fixed interest rate of 7.5%. This event does not affect the Trust's ability to continue operating into the future.

There were no other significant events after the balance date.

23 Explanations of major variances against budget

Good practice

Explanations for major variances from the Trust's budgeted figures in the 30 June 2015 statement of intent are as follows:

Statement of financial performance

There are no major variances against the prospective statement of comprehensive income.

Statement of financial position

The grants and funding subject to conditions liability is $58,438 below budget. The conditions for the regional rugby sevens annual tournament grant of $50,000 from central government were not expected to be satisfied by the balance date when the budget was agreed. Therefore, the grant received was expected to be recorded in the financial statements as a liability at 30 June 2015. However, the conditions of the grant were satisfied in June 2015, at which time the grant was recognised as revenue.

Statement of cash flows

There are no major variances against the prospective statement of cash flows.

Good practice

24 Significant adjustments arising on transition to the new PBE SFR-A standard[38]

The main adjustments to the 30 June 2014 comparative statement of financial performance and statement of financial position arising on the transition to the new PBE SFR-A standard are explained below:

Statement of financial position

- Bank accounts and cash – Term deposits with maturities of less than 3 months from acquisition of $50,000 have been reclassified to investments.
- Debtors and prepayments – Prepayments of $3,748 have been reclassified and aggregated with debtors.
- Investments – Term deposits with maturities of less than 3 months from acquisition of $50,000 have been reclassified to investments. The carrying amount of bond and share investments has reduced by $15,287 due to these investments now being recorded at their acquisition cost rather than their fair value at balance date.
- Property, plant, and equipment – Software assets of $39,000 have been reclassified and aggregated with property, plant, and equipment.
- Employee costs payable – Long service leave and retirement gratuities that have not yet vested are no longer recognised, reducing the employee costs payable liability by $8,093.
- Grants and funding subject to conditions – The Trust has reviewed its grant and funding arrangements and identified arrangements that contain substantive use or return conditions that were previously recognised as revenue upon receipt. The value of the conditions not yet satisfied of $32,317 has been recognised as a liability.
- Loans – The Trust's low-interest loans are now recorded at the amount owing, rather than at a discounted amount that increases as the loans approach their maturity. This has increased loans by $20,000.
- Lease make-good provision – The Trust is no longer required to discount to present value its lease make-good provision. This has increased the make-good provision liability by $3,342.

[37] Where events after the balance date occur, and those events have a significant impact on the information included in the financial statements, paragraph A210 requires that the entity report the following:
a) The nature of the event;
b) An estimate of its financial effect, or a statement that such an estimate cannot be made; and
c) The effect if any, on the entity's ability to continue operating.

[38] The separate disclosure of significant restatements arising from the transition to the new PBE SFR-A (PS) Standard is encouraged, but is not required (B6).

24 Significant adjustments arising on transition to the new PBE SFR-A standard (continued)

Statement of financial performance

- Central government funding – Central government funding has reduced by $12,317 due to the Trust identifying grant and funding arrangements that include substantive use or return conditions, which has affected the timing of the Trust's revenue recognition.
- Interest expense – Interest expense has reduced by $8,934 due to the Trust's low-interest loans now being recorded at their face value with no interest unwind and the Trust's lease make-good provision no longer being discounted.
- Fair value gains – Fair value gains of $5,435 have no longer been recognised, as the Trust's listed investments in shares and bonds are recorded at their acquisition cost rather than at their fair value.
- Employee related costs – Employee related costs have reduced by $3,456 due to the Trust no longer recognising unvested long service leave and retiring gratuities.