Model Financial Statements

Te Motu Regional Economic Development Trust

2018/19

Model financial statements
prepared under the Tier 3 Public Benefit Entity
Simple Format Reporting Accrual (Public Sector) Standard

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

July 2019

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FOREWORD

I am pleased to introduce our 2019 update to our model financial statements for Tier 3 public sector reporting entities. These model financial statements are prepared using the public benefit entity (PBE) simple format reporting accrual (public sector) (SFR-A (PS)) standard. While these model financial statements are based on a small council-controlled organisation (CCO), other public sector PBEs that apply the SFR-A (PS) standard might also find these useful.

Focus

The model financial statements have been prepared to help guide small entities to prepare financial statements that comply with the SFR-A (PS) standard. This model might assist in contributing 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. Other entities will need to consider the legislative requirements that apply for their own annual report (for example, those arising from the Crown Entities Act 2004).

Future updates

We will continue to update these model financial statements to reflect evolving good practice in presenting financial statements that meet the needs of users as well as any revised requirements from changes in the SFR-A (PS) standard.

We welcome any feedback on the application of this model to tier 3 entities or any other comments that might help with future updates of our 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.

Stephen Walker
Executive Director
July 2019

ABOUT THE MODEL FINANCIAL STATEMENTS

Objective

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

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

Although this model is based on a CCO that is a trust, elements of the model are applicable to entities that operate in a different sector, or 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 (PS) standard.

Main updates to the model

The table below explains the main updates to the model since it was last published in 2015.

Page number	Note number	Description of change
General	-	The previous model included disclosures relating to the transition to the PBE SFR-A (PS) standard, including a separate note outlining the significant restatements arising on transition. We have removed these disclosures, as they are not applicable to subsequent reporting periods.
7, 13	-	Entity information and Tier 2 PBE Accounting Standards applied – Updated footnotes to specify the key requirements of the SFR-A (PS) standard when preparing the entity information section and applying Tier 2 PBE Accounting Standards.
8	-	Added the date the financial statements were approved and authorised for issue, who gave that authorisation and the relevant signature(s) (A150.2). This change has arisen due to the early adoption of *2018 Omnibus amendments to Tier 3 and Tier 4 PBE Accounting Requirements.* The amendment is mandatory for periods beginning on or after 1 January 2019.
12	-	Amended the accounting policies for investments and property, plant, and equipment to reflect the accounting for reversal of impairment. This change has arisen due to the early adoption of *2018 Omnibus amendments to Tier 3 and Tier 4 PBE Accounting Requirements.* The amendment is mandatory for periods beginning on or after 1 January 2019.
22, 20	Notes 24, 17	Correction of prior year error – Note 24 added to illustrate how the disclosure requirements for the correction of errors can be met (A214). Note 17 adjusted to illustrate the correction of an error on the opening accumulated surpluses (A29).

Content

Included in the model are:

- entity information ;
- 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.

The model does not cover all possible financial reporting transactions or disclosures that could arise, as it would be impractical to do so. We have, however, included a wide range of transactions, disclosures, accounting policies, and notes in these financial statements, including those that are commonly found in the CCO sector. As not all disclosures or accounting policies will be material to every entity, preparers of financial statement should consider the concept of materiality when deciding which disclosures should or should not be included in their own financial statements.

The model does not deal with the underlying accounting treatment nor does it address all the possible recognition, measurement, presentation, and disclosure requirements of the SFR-A (PS) standard. Entities should not use the model as a substitute for referring to the requirements of the SFR-A (PS) standard applicable to their specific circumstances.

References to specific requirements of the SFR-A (PS) standard 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. Other entities will need to consider the legislative requirements for their annual report (for example, those arising from the Crown Entities Act 2004).

Statement of service performance

Public sector entities that are required by legislation to provide a statement of service performance (by whatever name called including "statement of performance") shall prepare a statement of service performance that meets both the performance reporting requirements of that legislation and section 4 of the SFR-A (PS) standard.

Transactions not covered by the SFR-A (PS) standard

Due to the simple nature of the SFR-A (PS) standard, entities might enter into transactions that are not specifically covered by the standard. In these cases, an entity should use its judgement to determine an appropriate accounting policy for those transactions that will result in the financial statements providing relevant and faithfully representative information. When determining an appropriate accounting policy, an entity shall refer to, and consider the applicability of, the following in descending order:

a The principles and requirements in the SFR-A (PS) standard dealing with similar and related transactions or events; and

b The definitions and concepts in the PBE *Conceptual Framework* to the extent that they do not conflict with the SFR-A (PS) 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 Requirements dealing with the same, similar, or related transactions or events.

A8(a),A15,A17

TE MOTU REGIONAL ECONOMIC DEVELOPMENT TRUST
ENTITY INFORMATION FOR THE YEAR ENDED 30 JUNE 2019[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 in 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 Te Motu Regional Council.

A38(d) **Main sources of the Trust's cash and resources**

Operating grants received from 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 section is a required component of the performance report prepared in accordance with the Tier 3 SFR-A (PS) standard (A8). This component shall be clearly identified (A15). Section 3 of the SFR-A (PS) standard specifies what information about the entity is required. This information will need to 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 (A39).

A8(b),A15,A17

TE MOTU REGIONAL ECONOMIC DEVELOPMENT TRUST
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019[2]

Ref		Notes	Actual 2019 $	Budget[3] 2019 $	Actual[4] 2018 $
A14,A18,A19					
A56-A63	**Revenue[5]**				
A56(a)	Council funding	1	1,395,000	1,407,000	1,200,000
A56(a)	Central government funding		441,448	420,000	411,370
A56(b)	Sales of goods and services		67,470	60,000	64,970
A56(c)	Other grants and donations received	2	37,530	30,000	38,480
A56(d)	Interest, dividends, and other investment revenue		7,234	6,000	7,001
A61(i)	Other revenue	3	10,518	6,000	6,876
A50	*Total revenue*		1,959,200	1,929,000	1,728,697
A74-A81	**Expenses**				
A74(a)	Employee-related costs	4	929,098	917,000	823,849
A79	Advertising and marketing costs		473,987	470,000	369,351
A79(c)	Lease expense		212,340	210,000	204,647
A79(f)	Depreciation of property, plant, and equipment	11	82,923	81,000	84,220
A74(b)	Costs of providing goods and services		63,247	60,000	59,478
A79(b)	Trustee fees	21	59,750	59,750	52,750
A79(d)	Interest on bank overdraft		1,478	1,500	1,017
A79(h)	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.

A150.2 — The Board approved and authorised to issue the financial statements on the 28 September 2019

[Signature of individual(s) with the authority to approve the performance report]

[Name and title of individual(s) who approved the performance report]

[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 (PS) 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] 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.
[4] 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 (PS) standard specifically allows otherwise. Comparative information shall also be provided for the disclosures about related parties in the notes (A18).
[5] The revenue categories may be disaggregated or additional categories presented if that will enhance users understanding of the entity's financial performance. Alternatively, this can be done in the notes to the financial statements (A61). The revenue categories above only need to be presented if applicable and significant to the entity (A58).

A8(c),A15,A17

TE MOTU REGIONAL ECONOMIC DEVELOPMENT TRUST
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

Reference		Notes	Actual 2019 $	Budget 2019 $	Actual 2018 $
A14,A18,A19					
	Assets				
A90,A92	**Current assets**[6]				
A94(a),A95	Bank accounts and cash[7]	7	152,183	214,150	127,400
A94(b),A96,A97	Debtors and prepayments	8	73,766	84,597	113,311
A94(e),A100	Investments[8]	9	20,132	20,000	18,756
A94(c),A98	Inventory	10	155,350	162,100	151,270
	Total current assets		401,431	480,847	410,737
A90,A92	**Non-current assets**				
A94(e),A100	Investments[8]	9	100,868	101,000	100,944
A94(d),A99	Property, plant, and equipment	11	229,744	242,300	246,544
	Total non-current assets		330,612	343,300	347,488
A90	**Total assets**		**732,043**	**824,147**	**758,225**
	Liabilities				
A90,A92	**Current liabilities**[9]				
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), A126	Loans	15	7,313	8,350	10,000
	Total current liabilities		195,072	254,245	186,907
A90,A92	**Non-current liabilities**				
A121(e),A126	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**		**472,733**	**512,052**	**512,052**
A140	**Trust equity**[10]				
A141(a),A142,A143	Contributed capital	17	83,200	83,200	83,200
A141(b),A144	Accumulated surpluses	17	389,533	428,852	428,852
A90	**Total Trust equity**		**472,733**	**512,052**	**512,052**

Good practice

Explanations of major variances against budget are provided in Note 23.

[6] 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.
[7] Bank accounts and cash comprise petty cash, cheque or savings accounts, and deposits held at call with banks (A95).
[8] Investments are shares, term deposits, bonds, units in unit trusts, or similar instruments held by the entity (A100).
[9] 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.
[10] 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 2019

Reference		Note	Actual 2019 $	Budget 2019 $	Actual 2018 $
A14,A18,A19					
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		(1,915,542)	(1,895,000)	(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*		51,828	60,000	124,659
A155,A167-A171	**Cash flows from investing and financing activities**[11]				
A167(a)	Receipts from sale of property, plant, and equipment		9,768	0	0
A167(b)	Receipts from sale of investments		328,687	320,000	340,000
A167(c)	Proceeds from loans		1,313	0	0
A167(d)	Proceeds from capital contributions		0	0	63,200
A167(e)	Payments to acquire property, plant, and equipment		(38,200)	(40,000)	(45,200)
A167(f)	Payments to acquire investments		(331,300)	(310,000)	(365,000)
A167(g)	Repayment of loans		0	(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**		22,096	25,000	117,659
A155,A172	Add opening bank accounts and cash, including bank overdraft		127,400	189,150	9,741
A155,A172	**Closing bank accounts and cash, including bank overdraft**[12]	7	149,496	214,150	127,400

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

[11] Entities can elect to report cash flows from investing activities separately from cash flows from financing activities (A156).
[12] 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 2019

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)* Standard 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.[13]

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.[14]

A180,A181 ***SIGNIFICANT ACCOUNTING POLICIES***[15]

A64 **Revenue**

A65-A69 *Funding and Grants*

Council and government funding, and non-government grants are recognised as revenue when the funds are received, unless there is an obligation to return the funds if conditions are not met (“use or return condition”). If there is such an obligation, the funds are initially recorded as a liability and recognised as revenue when the conditions are subsequently 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 recognised 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 recognised as an expense as staff provide services and become entitled to wages, salaries, and leave entitlements.

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

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

Advertising, marketing, administration, overhead, and fundraising costs

A82 These costs are recognised as an expense when the related service has been received.

Lease expense

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

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[13] 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.

[14] 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).

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

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 accounts and cash are measured at the amount held.

A134 **Bank overdraft**

Bank overdrafts are presented as a current liability in the statement of financial position. Bank overdrafts are measured at the amount that has been withdrawn.

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 recorded and the loss is recognised as a bad debt expense.

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, bonds, and 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,A109.2(b) 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[16].

Property, plant, and equipment

A109 Property, plant, and equipment is recorded at cost, less accumulated depreciation and impairment losses.[17]

A64,A113,A114 Donated assets are recorded 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 recorded.

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.

A109.2(c) If there is any indication that an impairment charge recorded in prior periods may no longer exist or has reduced, an impairment reversal is recognised. The reversal of impairment shall be all or part of the previous impairment charge. However, it must not result in the carrying amount of the asset (net of depreciation) being recorded at more than it would have been had the impairment not been recorded.

A109 For all property, plant and equipment assets, except land, 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 recorded when an employee has earned the entitlement.

[16] If an entity wishes to revalue investments, it may opt up to the financial instrument standards (PBE IPSAS 28 *Financial Instruments: Presentation,* PBE IPSAS 29 *Financial Instruments: Recognition and Measurement* (or PBE IFRS 9 *Financial Instruments),* and PBE IPSAS 30 *Financial Instruments: Disclosures)* for a class of financial instruments, such as investments in shares, so that it can measure that class of financial instruments at fair value (in which case it must apply the whole standard to that class).

[17] 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 property. Where this is the case, the entity shall disclose the source and date of the valuation in the notes to the financial statements (A116).

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 recorded at the amount borrowed from the lender. Loan balances include any interest accrued at balance date that has not yet been paid.

Provisions

A134-A136 The Trust records 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[18]

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.[19]

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.

Tier 2 PBE Accounting Standards applied

A182 The Trust has not applied any Tier 2 Accounting Standards in preparing its financial statements.[20]

A174(b) **CHANGES IN ACCOUNTING POLICIES**

A186 The *2018 Omnibus amendments to Tier 3 and Tier 4 PBE Accounting Requirements* has been early adopted in preparing this set of financial statements.

The adoption of the amendments has resulted in additional disclosures in the financial statements and clarification on the treatment of impairment reversals. This has not resulted in any changes in the accounting policies applied during the financial year and no impact on the reported amounts.

[18] If an entity is exempt from income tax, we recommend this fact be disclosed in the income tax accounting policy.
[19] The SFR-A (PS) standard does not specifically deal with income tax. After considering the requirements of paragraph 6, we consider tax expense is based on income tax payable without any allowance for deferred tax assets or deferred tax liabilities, as specified in the Basis for Conclusions of the PBE SFR-A (NFP) *Public Benefit Entity Simple Format Reporting – Accrual (Not-for-profit)* standard (BC12(c)). If an entity wishes to account for deferred tax, it will need to opt up and apply the relevant requirements of PBE IAS 12 *Income* Taxes.
[20] If an entity has elected to apply a provision of the Tier 2 PBE Accounting Requirements in place of a requirement of SFR-A (PS) standard, the PBE Standard applied shall be disclosed (A182). When applying the Tier 2 PBE Accounting Requirements to a specific type of transaction, an entity must apply that option to all transactions of that type, and the whole standard must be applied where material (including the Tier 2 disclosure requirements) (7). The entity cannot then choose to return to applying the requirements of the SFR-A (PS) standard unless the change is required by the SFR-A (PS) standard, or the change is in accordance with the SFR-A (PS) standard and results in the statements providing more faithfully representative or more relevant information about the effects of transactions or other events and conditions (9 and A184).

A8(f),A15,A17,A18

TE MOTU REGIONAL ECONOMIC DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Notes index

A63

1 Council funding

	2019 $	2018 $
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

	2019 $	2018 $
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[21]

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 2019. 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.[22]

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.[23]

A63

3 Other revenue

	2019 $	2018 $
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**

[21] 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.

[22] 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).

[23] An entity shall disclose the source and the date of the valuation of assets for significant donated assets.

A81

4 Employee-related costs

	2019 $	2018 $
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

	2019 $	2018 $
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 expense

		2019 $	2018 $
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**

		2019 $	2018 $
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	607,387	535,826
	- Tax losses not recognised/(utilised)	7,508	5,200
	Income tax expense	**0**	**0**

Good practice — Unused tax losses of $105,060 (2018: $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.[24]

[24] This disclosure is relevant only to those entities, such as economic development trusts, where there might 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

	2019 $	2018 $
Cash on hand	2,000	2,000
Cheque account	130,003	106,300
Savings account	20,180	19,100
Total bank accounts and cash	**152,183**	**127,400**
Bank overdrafts	(2,687)	0
Net bank accounts and cash for the purposes of the statement of cash flows	**149,496**	**127,400**

Good practice (Net bank accounts and cash for the purposes of the statement of cash flows)

A108

8 Debtors and prepayments

	2019 $	2018 $
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

	2019 $	2018 $
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 (2018: $116,231).[25]

A108

10 Inventory

	2019 $	2018 $
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**

[25] 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[26,27]

		Furniture and fittings	Computers and software	Motor vehicles	Total
A192(a)		$	$	$	$
A192(b)	Carrying amount at 1 July 2017	47,260	77,640	159,744	284,644
Good practice	Additions	40,200	5,920	0	46,120
Good practice	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 2018	72,260	55,540	118,744	246,544
A192(b)	Carrying amount at 1 July 2018	72,260	55,540	118,744	246,544
Good practice	Additions	23,200	45,407	0	68,607
Good practice	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 2019	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.[28]

A133

12 Creditors and accrued expenses

	2019	2018
	$	$
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

	2019	2018
	$	$
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**

[26] 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.
[27] 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.
[28] 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).

A133

14 Grants and funding subject to conditions[29]

	2019	2018
	$	$
Council funding	0	20,000
Central government funding	49,562	12,317
Donations	2,000	0
Total grants and funding subject to conditions	**51,562**	**32,317**

A133

15 Loans

	2019	2018
	$	$
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 (2018: $35,000), are issued at a nil interest rate. $7,313 of the loan is repayable on 31 July 2019 with the remaining loan amount of $29,000 repayable on 31 July 2022.

A196

The loans are unsecured.[30]

A133

16 Lease make-good provision

	2019	2018
	$	$
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 2021 at the earliest. The Trust has an option to renew for a further 3 years that is unlikely to be exercised.

[29] An alternative presentation would be to analyse each significant grant or funding arrangement by providing a description of the arrangement.
[30] 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.

A198

17 Trust equity[31]

	2019 $	2018 $
Contributed capital		
Balance at 1 July	83,200	20,000
Capital contribution	0	63,200
Balance at 30 June	83,200	83,200

	2019 $	2018 $
Accumulated surpluses		
Prior year closing balance at 30 June	428,852	412,324
A29 Correction of prior year error (Note 24)	(60,000)	0
Opening balance at 1 July	368,852	412,324
Surplus/(deficit) for the year	20,681	16,528
Closing balance at 30 June	389,533	428,852
Total trust equity at 30 June	**472,733**	**512,052**

A200

18 Commitments

	Commitment type	Explanation and timing	2019 $	2018 $
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 2019.	42,478	0
A200(a)	Commitments to lease or rent assets	This represents the lease of Office space to April 2021, at which point the Trust has an option to renew for 3 years. The current monthly rental payments are $17,965.	395,230	179,650
A200(c)	Commitments to provide loans or grants	The Trust has committed to provide a $20,000 loan to a local business if the business is not successful in obtaining a commercial loan.	20,000	0
	Total commitments		**457,708**	**179,650**

19 Contingent liabilities

A202 The Trust has one legal proceeding against it in relation to a personal grievance claim (2018: 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 (2018: $22,000). The loans mature in 2023 and 2024. The Trust considers there is a low risk of a payment under the guarantee.[32]

[31] 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).

[32] 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.

20 Related party transactions

Good practice

Related party disclosures have not been made for transactions with related parties that are:

- normal supplier or client/recipient relationship; and
- 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 (2018: $35,000) with Te Motu Regional Council. The Trust was settled by Te Motu Regional Council, which has ultimate control of the Trust.

The Trust purchased legal services totalling $10,500 (2018: $nil) from Lawyer & Lawyer Legal, 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 were at a significant discount compared to normal market rates. An amount of $2,500 was outstanding at 30 June 2019 (2018: $nil).

Good practice[33]

21 Trustee fees[34]

	2019 $	2018 $
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**

22 Events after the balance date[35]

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.

[33] Some entities might 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.
[34] The actual names of Trustees should be included in this disclosure.
[35] Where events occur after the balance date, 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.

23 Explanations of major variances against budget

Good practice

Explanations for major variances from the Trust's budgeted figures in the 30 June 2019 statement of intent are as follows:

Statement of financial performance

There are no major variances against the prospective statement of financial performance.

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 2019. However, the conditions of the grant were satisfied in June 2019, at which time the grant was recognised as revenue.

Bank accounts and cash were $61,967 below budget due mainly to the payment of $60,000 in marketing expenses relating to the Matariki and Arts-in-the-Park events that occurred in June 2018, which were not fully anticipated when the budget was agreed.

Statement of cash flows

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

24 Prior year error correction[36]

A214

During 2018/19, the Trust discovered that $60,000 in costs for marketing services received in the year ended 30 June 2018 were not accounted for. These services should have been accrued for in 2017/18 as a liability and expense, in accordance with the Trust's accounting policies. To correct this error, the 2018/19 opening balances of *Creditors and accrued expenses* has been increased by $60,000, with a corresponding decrease in *Accumulated surpluses* (see Note 17). In accordance with the requirements of the applicable financial reporting standard the 2017/18 financial information presented in this report has not been adjusted for the effect of this error.

[36] Significant errors relating to past periods shall be corrected in the current financial statements by adjusting the opening balance of the relevant asset, liability or accumulated funds at the beginning of the financial year. No adjustments to past periods are required (A29). When an entity corrects a significant prior period error, it shall report in the notes a description of the error and how it was corrected, and the line items and amounts that have been corrected (A214).