

Our Finances

Statement of Financial Performance - year ended 30 June 2008

	Note	Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000
Revenue				
Revenue from Activities	2(c)	11,126	15,052	17,544
Rate Income	3(a)	23,810	23,650	22,261
Separate Rates	3(b)	14,221	14,137	12,790
Vested Assets	4(b)	2,554	1,960	3,813
Financial Contributions	5	5,191	7,462	9,323
Finance Income	4(a)	1,778	-	758
Other Revenue	5	1,509	1,341	1,272
Gains	6			3,186
Total Operating Revenue	2(a)	60,190	63,602	70,946
Expenditure				
Other Expenses	8	26,349	24,472	18,744
Personnel Costs	7	10,334	10,095	9,523
Depreciation	15	13,721	11,336	11,261
Amortisation	16	291	141	177
Finance Costs	4(a)	8,778	5,875	5,263
Total Operating expenditure	2(b)	59,473	51,920	44,967
		717	11,683	25,979
Share of Associates retained surplus	14	20	-	179
Net Surplus (Deficit)		738	11,683	26,158

Explanations of major variances against budget are detailed in note 33

The accompanying notes form part of these financial statements.

Statement of Financial Position at 30 June 2008

	Note	Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000
Equity				
Retained Earnings	22a	709,147	353,206	706,879
Restricted reserves	22b	395	331	370
Council-created reserves	22c	14,558	9,299	16,097
Asset revaluation reserves	22d	147,441	366,399	147,818
Total Equity		871,540	729,234	871,164
Assets				
Current assets				
Cash and cash equivalents	9	4	511	2,846
Debtors and other receivables	10	7,927	3,237	9,281
Non-Current Assets held for sale	13	1,263	223	215
Derivative financial instruments	11	2,241	-	3,572
Prepayments	10	125	374	94
Total current assets		11,560	4,345	16,007
Non-current assets				
Other Financial Assets	12	67	-	64
Investments in associates	14	243	-	221
Investment properties	17	850	748	933
Intangible Assets	16	2,594	635	1,985
Financial instruments	31(a)	3,820	-	1,748
Property, plant and equipment	15	965,938	845,718	953,657
Total non-current assets		973,511	847,101	958,608
Total assets		985,072	851,446	974,616
Liabilities				
Current liabilities				
Bank Overdraft	19	94	-	-
Creditors and other payables	18	10,675	8,106	11,079
Employee entitlements	20	1,319	1,052	1,300
Borrowings	19	24,600	5,000	17,000
Current portion Financial Contributions		-	3,606	-
Current portion provisions	21	1,276	2,958	55
Total current liabilities		37,964	20,722	29,434
Non-current liabilities				
Employee entitlements	20	36	-	62
Provisions	21	4,043	964	5,183
Borrowings	19	71,520	95,026	68,773
Financial Contributions		(31)	5,500	-
Total non-current liabilities		75,568	101,490	74,018
Total Liabilities		113,532	122,212	103,452
Net assets		871,540	729,234	871,164

The accompanying notes form part of these financial statements.


 Graeme Weld
 His Worship the Mayor


 Glenn Snelgrove
 Chief Executive Officer

Statement of Changes in Equity - year ended 30 June 2008

	Note	Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000
Balance at 1 July		871,164	717,551	707,574
Amounts recognised directly in equity				
Gain/(loss) on property valuations	22	(363)	-	137,432
Net income/(expense) recognised directly in equity		(363)	-	137,432
Surplus/(deficit) for the year		738	11,683	26,158
Total recognised income/(expense)				
Balance at 30 June		871,540	729,234	871,164

The accompanying notes form part of these financial statements.



Statement of Cash Flows - year ended 30 June 2008

	Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000
Cash flows from operating activities			
Receipts from rates revenue	37,856	37,646	34,973
Regional Council rates	1	-	2
Interest received	2,056	-	-
Dividends received	72	-	51
Receipts from other revenue	20,340	23,855	24,387
Payments to suppliers and employees	(35,513)	(34,515)	(29,562)
Interest paid	(7,421)	(5,875)	(4,207)
Income tax paid	-	-	-
Goods and services tax (net)	(426)	-	(314)
Net cash from operating activities	16,965	21,111	25,330
Cash flows from investing activities			
Receipts from sale of property, plant and equipment	290	227	1,503
Receipts from sale of investments	-	-	-
Purchase of property, plant and equipment	(25,076)	(35,253)	(60,132)
Financial instruments	(2,500)	-	-
Purchase of intangible assets	(2,980)	-	-
Acquisition of investments	17	-	(125)
Net cash from investing activities	(30,249)	(35,027)	(58,755)
Cash flows from financing activities			
Proceeds from borrowings	29,697	23,000	52,998
Repayment of borrowings	(19,350)	(9,000)	(17,101)
Net cash from financing activities	10,347	14,000	35,897
Net (decrease)/increase in cash held	(2,937)	84	2,472
Cash, cash equivalents and bank overdrafts at the beginning of the year	2,846	427	374
Cash, cash equivalents and bank overdrafts at the end of the year	(90)	511	2,846

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The accompanying notes form part of these financial statements.

Refer to Note 23 for reconciliation from net surplus to cash flows from operating activities.

Notes to the Financial Statements

1 Statement of accounting policies - year ended 30 June 2008

Reporting entity

Western Bay of Plenty District Council (Western Bay) is a territorial local authority governed by the Local Government Act 2002 and is domiciled in New Zealand.

The primary objective of Western Bay is to provide goods or services for the community or social benefit rather than making a financial return.

Accordingly, Western Bay has designated itself a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

The financial statements of Western Bay are for the year ended 30 June 2008. The financial statements were authorised for issue by Council on 25 September 2008.

Basis of preparation

Statement of compliance

The financial statements of Western Bay have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice ("NZ GAAP").

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment property, forestry assets and certain financial instruments (including derivative instruments).

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of Western Bay is New Zealand dollars.

Changes in accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Western Bay include:

- NZ IAS 1 *Presentation of Financial Statements (revised 2007)* replaces NZ IAS 1 *Presentation of Financial Statements (issued 2004)* and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The revised standard gives the Western Bay the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Western Bay intends to adopt this standard for the year ending 30 June 2010, and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.
- NZ IAS 23 *Borrowing Costs (revised 2007)* replaces NZ IAS 23 *Borrowing Costs (issued 2004)* and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. The revised standard will also require borrowing costs to be considered when revaluing property, plant and equipment to fair value based on depreciated replacement cost. Any necessary adjustments to depreciated replacement cost carrying values will have flow on effects to depreciation expense. The Western Bay intends to adopt this standard for the year ending 30 June 2010 and has not yet quantified the potential impact of the new standard.



Significant accounting policies

Associate entities

An associate is an entity over which the Western Bay has significant influence and that is neither a subsidiary nor an interest in a joint venture of Western Bay. Western Bay has a 50% shareholding in Western Bay of Plenty Moana Rural Fire Authority and a 1/8th share in Bay of Plenty Local Authority Shared Services Limited (BOPLASS). The Council also has a 50% shareholding in Western Bay of Plenty Tourism and Visitors Trust. The investment in these associates is initially recognised at cost and the carrying amount is increased or decreased to recognise Western Bay's share of the surplus or deficit of the associate after the date of acquisition. Western Bay's share of the surplus or deficit of the associate is recognised in Western Bay's statement of financial performance. Distributions received from an associate reduce the carrying amount of the investment.

Where Western Bay transacts with an associate, surplus or deficits are eliminated to the extent of Western Bay's interest in the relevant associate.

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Rates revenue

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable.

Rates collected on behalf of the Bay of Plenty Regional Council (EBOP) are not recognised in the financial statements as Western Bay is acting as an agent for EBOP.

Revenue from water rates by meter is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year-end, is accrued on an average usage basis.

Government grants

Western Bay receives government grants from Land Transport New Zealand, which subsidises part of Western Bay's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Provision of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Vested assets

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as income. Assets vested in Western Bay are recognised as income when control over the asset is obtained.

Sales of goods

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

Traffic and parking infringements

Traffic and parking infringements are recognised when tickets are issued.

Interest and dividends

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

Financial contributions

Financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise financial contributions are transferred to reserves until such time the Council provides, or is able to provide, the service.

Development contributions are classified as part of "Other revenue".

Construction contracts

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 the balance date as a percentage of total estimated costs for each contract.

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.

An expected loss on construction contracts is recognised immediately as an expense in the statement of financial performance.

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

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under other liabilities.

Finance costs

Finance costs incurred in the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use; for Western Bay the period being over two years or greater.

All other finance costs are recognised as an expense in the period in which they are incurred.

Grant expenditure

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.

Discretionary grants are those grants where Western Bay has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Western Bay's decision.

Income tax

Western Bay does not pay income tax as Section CW39 of the Income Tax Act 2007 specifically exempts income derived by a local authority from income tax, unless that income is derived from a Council Controlled Organisation, a port related commercial undertaking or as a trustee.

Leases

Finance leases

Western Bay does not currently have any finance leases.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents includes 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.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the statement of financial performance.

Purchases and sales of financial assets are recognised on trade-date, the date on which Western Bay 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 Western Bay has transferred substantially all the risks and rewards of ownership.

Western Bay classifies its financial assets into the following categories: fair value through profit or loss, held-to maturity investments, loans and receivables and fair value through equity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss 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. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. Western Bay's financial assets at fair value through profit and loss include derivatives that are not designated as hedges.

After initial recognition they are measured at their fair values with gains or losses on re-measurement recognised in the statement of financial performance.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. Western Bay's loans and receivables comprise cash and cash equivalents, debtors and other receivables, term deposits, and related party loans.

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 statement of financial performance.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Western Bay has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

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 statement of financial performance.

Financial assets at fair value through equity

Financial assets at fair value through equity are those that are designated as fair value through equity or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date. Western Bay's financial assets at fair value through equity comprise local authority stock and investments in quoted and unquoted shares. Western Bay 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.

Western Bay's investments in its and associate entities are not included in this category as they are held at cost (as allowed by NZ IAS 28: *Investments in Associates*) whereas this category is to be measured at fair value.

After initial recognition these investments are measured at their fair value, with gains and losses recognised directly in equity except for impairment losses, which are recognised in the statement of financial performance.

On de-recognition the cumulative gain or loss previously recognised in equity is recognised in the statement of financial performance.

Fair value

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Western Bay uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted expected cash flows, are used to determine fair value for the remaining financial instruments.

Impairment of financial assets

At each balance sheet date Western Bay assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of financial performance.

Loans and other receivables

Impairment of a loan or a receivable is established when there is objective evidence that Western Bay will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer will enter into bankruptcy, and default in payments are considered 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 statement of financial performance. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For local authority stock and government stock impairment losses are recognised directly against the instruments carrying amount.

Impairment is established when there is objective evidence that Western Bay will not be able to collect amounts due to the original terms of the instrument. Significant financial difficulties of the issuer, probability the issuer will enter into bankruptcy, and default in payments are considered indicators that the instrument is impaired.

Quoted and unquoted equity investments

For equity investments classified as fair value through equity, a significant or prolonged decline in the fair value of the investment below its cost is considered an indicator of impairment. If such evidence exists for investments at fair value through equity, 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 statement of financial performance) is removed from equity and recognised in the statement of financial performance. Impairment losses recognised in the statement of financial performance on equity investments are not reversed through the statement of financial performance.

Derivative financial instruments

Western Bay uses derivative financial instruments (interest rate swaps) to hedge exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, Western Bay does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at 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. Western Bay has elected not to hedge account for its interest rate swaps.

The associated gains or losses of these derivatives (that are not hedge accounted) are recognised in the statement of financial performance.

Non-current assets held for sale

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.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the statement of financial performance.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

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 parks and reserves owned by Western Bay which 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 Western Bay. 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.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Revaluation

Land, buildings (operational and restricted), library books, and infrastructural assets (except land under roads) are re-valued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost.

Western Bay assesses the carrying values of its re-valued assets 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 re-valued.

Western Bay accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of financial performance. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the statement of financial performance will be recognised first in the statement of financial performance up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Additions

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 Western Bay and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the statement of financial performance. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Depreciation

Depreciation is provided on a straight-line basis on all buildings, bridges and other structures and diminishing value for motor vehicles, plant and equipment, office equipment and furnishings. Land and drains are non depreciable. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings

- concrete	100 years	Straight line
- wooden	40 years	Straight line
Land (not depreciated)		
Other plant and equipment	10 years	Diminishing value
Office equipment and furnishings	5 years	Diminishing value
Computer systems	5 years	Diminishing value
Motor vehicles	5 years	Diminishing value
Library books	10-15 years	Straight line

Infrastructural Assets

Roading network

Pavement (base course)	25 to 75 years	Straight line
Seal	12 years	Straight line
Unsealed	3 to 5 years	Straight line
Formation (not depreciated)		
Other	5 to 70 years	Straight line

Bridges

- concrete	100 years	Straight line
- steel	50 years	Straight line

Reticulation

Water	20 to 60 years	Straight line
Sewerage	60 to 100 years	Straight line
Stormwater	80 to 120 years	Straight line
Treatment plant and equipment	25 to 50 years	Straight line

Other structures

Wooden reservoirs	80 years	Straight line
Concrete reservoirs	100 years	Straight line
Dams	100 years	Straight line
Bores	100 years	Straight line

The residual value and useful life of an asset is reviewed and adjusted, if applicable, at each financial year end.

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by Western Bay, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Staff training costs are recognised as an expense when incurred.

Subdivision rights

Refer to Note 31(a).

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line or diminishing value basis over its useful life.

Amortisation begins when the asset is available for use and ceases at the date that the asset is de-recognised.

The amortisation charge for each period is recognised in statement of financial performance. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	5 years	20% Diminishing value
Subdivision rights	10 years	10% Straight line

Resource consents (which are not attributed to a specific asset are capitalised at historic cost and amortised over their estimated useful lives (usually 20 years).

Impairment of property, plant and equipment and intangible assets

Intangible assets that have an indefinite useful life, or not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. 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.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets and cash generating units is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For re-valued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of financial performance.

For assets not carried at a re-valued amount, the total impairment loss is recognised in the statement of financial performance.

The reversal of an impairment loss on a re-valued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in statement of financial performance, a reversal of the impairment loss is also recognised in the statement of financial performance.

For assets not carried at a re-valued amount the reversal of an impairment loss is recognised in the statement of financial performance.

Investment property

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.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, Western Bay measures all investment property at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the statement of financial performance.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless Western Bay has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Employee entitlements

Short-term employee entitlements

Employee benefits that Western Bay expects to be settled within 12 months of balance date are measured at nominal values 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, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

Western Bay recognises a liability for sick leave 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 that Western Bay anticipates it will be used by staff to cover those future absences.

Western Bay recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, 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.

The discount rate is based on the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Superannuation scheme

Western Bay of Plenty District Council belongs to the Defined Benefit Plan 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.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the Scheme the extent to which the surplus/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.

Provisions

Western Bay recognises a provision 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 expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

NZ IAS 37.45 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".

Equity

Equity is the community's interest in Western Bay and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- retained earnings;
- restricted reserves;
- property, plant and equipment reserves; and
- fair value through equity reserves

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 Western Bay.

Restricted reserves are those subject to specific conditions accepted as binding by Western Bay and which may not be revised by Western Bay 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 references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Western Bay's objectives, policies and processes for managing capital are described in note 32.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for debtors and other receivables and creditors and other payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (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.

Budget figures

The budget figures are those approved by the Council at the beginning of the year in the annual plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Western Bay for the preparation of the financial statements.

Cost allocation

Western Bay has derived the cost of service for each significant activity of Western Bay using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which 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.

Critical accounting estimates and assumptions

In preparing these financial statements Western Bay has made estimates and assumptions 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:

Landfill aftercare provision

Note 21 presents an analysis of the exposure of Western Bay in relation to the estimates and uncertainties surrounding the landfill aftercare provision.

Infrastructural assets

There are a number of assumptions and estimates used when performing DRC valuations over infrastructural assets. These include:

- the physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- estimating any obsolescence or surplus capacity of an asset; and
- estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted 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 assets, then Western Bay could be over or under estimating the annual depreciation charge recognised as an expense in the statement of financial performance. To minimise this risk Western Bay's infrastructural assets useful lives have been determined with reference to the NZ 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 the Western Bay's asset management planning activities, which gives Western Bay further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

Critical judgements in applying Western Bay's accounting policies

Management has exercised the following critical judgements in applying the Western Bay's accounting policies for the period ended 30 June 2008:

Classification of property – Pensioner Housing

Western Bay owns a number of properties, which are maintained to provide housing to pensioners.

The rentals are set so that the activity operates on a break even situation. The property is held for service delivery objectives as part of Western Bay's social housing policy. However Western Bay is considering exiting the provision of pensioner housing and is looking at the options to achieve this outcome. Given the uncertainty over whether and how this might occur, the property is being accounted for as property, plant and equipment.

2 Summary cost of services

	Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000
2(a) Revenue			
Significant activities			
Representation	2,581	2,504	2,455
Sustainable Development	2,324	2,412	2,322
Communities	3,274	3,288	2,901
Recreation & Leisure	5,243	7,056	6,166
Regulatory	4,588	4,293	4,468
Transportation	21,769	21,978	21,789
Water Supply	6,929	6,850	6,508
Stormwater	2,664	2,289	2,653
Natural Environment	272	278	445
Wastewater	5,857	8,139	14,138
Solid Waste	883	1,162	778
Economic	1,034	1,029	973
Council Services	2,772	2,324	5,351
Total revenue from significant activities	60,190	63,602	70,946
2(b) Expenditure			
Significant activities			
Representation	2,432	2,641	2,179
Sustainable Development	2,833	2,596	2,682
Communities	3,370	3,259	2,652
Recreation & Leisure	2,820	3,320	3,491
Regulatory	4,765	4,293	4,491
Transportation	17,970	13,462	11,406
Water Supply	8,032	7,923	7,330
Stormwater	2,611	2,659	1,774
Natural Environment	277	224	188
Wastewater	9,912	8,401	6,536
Solid Waste	838	887	741
Economic	918	812	761
Council Services	2,694	1,444	736
Total significant activities	59,473	51,920	44,967

2(c) Revenue from activities	Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000
Representation	63	-	10
Sustainable Development	27	-	(11)
Communities	509	586	410
Recreation & Leisure	310	1,320	138
Regulatory	3,401	3,399	3,609
Transportation	6,796	6,773	6,311
Water Supply	1,862	1,678	1,629
Stormwater	(53)	-	172
Natural Environment	-	-	-
Wastewater	98	1,391	7,274
Solid Waste	24	222	21
Economic	2	(10)	(4)
Council Services	(1,911)	(307)	(2,013)
Total revenue from significant activities	11,126	15,052	17,544

Total revenue from significant activities includes:

Interest revenue	211	-	189
User charges	5,343	5,094	5,196
NZ Transport Agency Subsidy	5,974	5,598	5,326

There are no unfulfilled conditions and other contingencies attached to NZ Transport Agency subsidies recognised.

3 Rates revenue

3(a) General rate income

	Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000
Representation	579	565	563
Sustainable Development	65	129	70
Recreation & Leisure	150	300	365
Transportation	12,703	12,590	12,078
Natural Environment	15	29	22
Wastewater	121	243	163
Solid Waste	458	541	433
Council Services	9,720	9,254	8,568
Total separate rates	23,810	23,650	22,261

Rates remissions

Rates revenue is shown net of rates remissions. Western Bay's rates remission policy allows Western Bay to remit rates on condition of a ratepayer's extreme financial hardship, land used for sport, and land protected for historical or cultural purposes.

3(b) Separate rates attributable to activities

	Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000
Sustainable Development	77	142	83
Communities	915	868	821
Recreation & Leisure	282	436	486
Transportation	93	83	90
Water Supply	3,996	4,000	3,692
Stormwater	1,754	1,778	1,287
Natural Environment	30	44	53
Wastewater	5,345	5,464	5,124
Solid Waste	852	936	750
Economic	388	384	334
Council Services	489	-	71
Total separate rates	14,221	14,137	12,790
Total rates	38,031	37,788	35,051

Non-rateable land

Under the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. These properties include schools, places of religious worship, public gardens and reserves. These non-rateable properties may be subject to targeted rates in respect of sewerage, water, refuse and sanitation. Non-rateable land does not constitute a remission under Western Bay's rates remission policy.

4(a) Finance income and finance costs

	Actual 2008 \$000	Actual 2007 \$000
Finance income		
Interest income	526	224
Rates postponement scheme	14	9
Loan Swap Premium	1,238	525
Total finance income	1,778	758
Finance costs		
Interest expense:		
- unrealised hedge	1,331	-
- interest on bank borrowings	7,447	5,253
- discount unwind on provisions PBC contract	-	10
Total finance costs	8,778	5,263
Net finance income/(costs)	(7,000)	(4,505)

4(b) Vested assets

	Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000
Revenue			
Significant activities			
Transportation	1,427	1,600	1,780
Water Supply	340	150	245
Stormwater	582	-	944
Wastewater	206	210	844
Total significant activities	2,554	1,960	3,813

5 Other revenue

	Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000
Rental income	964	894	814
Infringements and fines	21	15	18
Petrol tax	452	390	389
Dividend income	72	41	51
Total other revenue	1,509	1,341	1,272
Financial contributions			
Sustainable Development Communities	-	50	70
Recreation & Leisure	31	31	71
Transportation	2,286	2,923	3,526
Water Supply	1,422	1,565	2,366
Stormwater	686	1,023	996
Natural Environment	328	511	419
Wastewater	109	101	209
Council Services	330	1,259	1,631
	-	-	35
Total revenue from financial contributions	5,191	7,462	9,323

6 Gains

	Actual 2008 \$000	Actual 2007 \$000
Non-financial instruments		
Investment property revaluation gains	-	79
Total non-financial instruments gains	-	79
Financial instruments		
Unrealised Gains		
- interest rate swaps	-	3,107
Total financial instruments gains	-	3,107
Total gains	-	3,186

7 Personnel costs

	Actual 2008 \$000	Actual 2007 \$000
Salaries and wages	10,278	9,166
Employer contributions to multi-employer defined benefit plans	56	66
Increase/(decrease) in employee entitlements/liabilities	-	291
Total personnel costs	10,334	9,523

Council's total Kiwisaver contributions to 30 June 2008 were \$11,157.

8 Other expenses

	Actual 2008 \$000	Actual 2007 \$000
Fees to principal auditor:		
- audit fees for financial statement audit	78	78
- audit related fees for assurance services	8	14
Audit fees paid to other auditors	-	32
Donations	-	1
Insurance premiums	280	270
Consultants and legal fees	1,790	1,241
Impairment of receivables (Note 10)	893	893
Loss on sale of property plant and equipment	55	25
Minimum lease payments under operating leases	105	91
Other operating expenses	23,140	16,098
Total other expenses	26,349	18,744

9 Cash and cash equivalents

	Actual 2008 \$000	Actual 2007 \$000
Cash at bank and on hand	4	346
Term deposits with maturities less than 3 months	-	2,500
Total cash and cash equivalents	4	2,846

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

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

	Actual 2008 \$000	Actual 2007 \$000
Cash at bank and on hand		346
Term deposits with maturities less than 3 months	-	2,500
Bank overdrafts (note 19)	(94)	-
Total cash and cash equivalents	(94)	2,846

Interest rates

The weighted average effective interest rates on investments (current and non current) and associated repricing maturities were:

	2008	2007
Short-term deposits	N/A	8.00%

10 Debtors and other receivables

	Actual 2008 \$000	Actual 2007 \$000
Rates debtors	5,608	5,180
Metered water debtors	1,440	1,305
Other trade debtors	1,703	2,914
Sundry debtors	2,461	2,998
	11,212	12,398
Less provision for impairment of receivables	3,285	3,117
	7,927	9,281
Prepayments	125	94
	8,052	9,374

Fair value

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

Impairment

Western Bay provides for any impairment on rates receivable, however, it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. 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 impact of discounting is material.

These powers allow Western Bay 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 judgement, then Western Bay can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit.

The carrying amount of receivables that would otherwise be past due or impaired, whose terms have been renegotiated is \$Nil (2007 \$Nil).

The status of receivables as at 30 June 2008 and 2007 are detailed below:

	2008			2007		
	Gross Impairment	Net		Gross Impairment	Net	
	\$000	\$000	\$000	\$000	\$000	\$000
Not past due	7,776	510	7,266	9,215	543	8,671
Past due 1-2 years	1,094	709	386	1,069	658	411
Past due 2-3 years	766	602	165	679	553	126
Past due > 3 years	1,575	1,465	111	1,435	1,363	73
Total	11,212	3,285	7,927	12,398	3,117	9,281

The impairment provision has been calculated based on expected losses for Western Bay's pool of debtors. Expected losses have been determined based on an analysis of Western Bay's losses in previous periods, and review of specific debtors as detailed below:

	2008	2,007
	\$000	\$000
Individual impairment	521	739
Collective impairment	2,764	2,378
Total provision for impairment	3,285	3,117

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:

	2008	2,007
	\$000	\$000
Past due 30-59 days	-	-
Past due 60-89 days	-	-
Past due > 90 days	521	739
Total individual impairment	521	739

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

	Actual	Actual
	2008	2007
	\$000	\$000
As at 1 July	3,117	2,715
Additional provisions made during the year	1,061	1,068
Provisions reversed during the year	-	-
Receivables written off during the year	(893)	(666)
At 30 June	3,285	3,117

11 Derivative financial instruments

	Actual 2008 \$000	Actual 2007 \$000
Current asset portion		
Interest rate swaps – fair value hedges	2,241	3,572
Total derivative financial instruments	2,241	3,572

Fair value

The fair values of interest rate swaps have been determined using a discounted cash flows valuation technique based on quoted market prices. This valuation has been performed by ETOS independent valuers.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts for the Council were \$66m (2007 \$67m). At 30 June 2008, the fixed interest rates of cash flow hedge interest rate swaps vary from 5.73% to 6.79% (2007 5.85% to 7.62%).

Unrealised gains and losses recognised on interest rate swap contracts as at 30 June 2008 are released to the Statement of Financial Performance as interest is paid on the underlying debt.

12 Other financial assets

	Actual 2008 \$000	Actual 2007 \$000
Current portion	-	-
Total current portion	-	-
Non-current portion		
NZ Local Government Insurance Company Limited 16,142 shares (no change from 2007) of \$3.00 each	48	45
Zespri Group Limited 3,532 shares (no change from 2007) with a market value as at 30 June 2008 of \$5.15 per share	19	19
Total non-current portion	67	64
Total other financial assets	67	64

Fair value

Local authority stock

The fair value of local authority and government stock has been determined by reference to the current market value at 30 June 2008.

Quoted shares

The fair values of listed shares are determined by reference to published current bid price quotations in an active market.

Impairment

There were no impairment provisions for other financial assets. None of the financial assets are either past due or impaired.

13 Non-current assets held for sale

The Western Bay owned buildings on Prole Road, Anderley Ave and Leyland Road were reclassified as held for sale following the approval by Council to sell the premises. The Council has approved the sale of the premises as they will provide no future use to Western Bay. At 30 June 2008 the area of land was surplus to Council requirements after utilising some of the acquired land for roading. The completion dates of the sales are expected to be within the next 12 months.

	Actual 2008 \$000	Actual 2007 \$000
Non-current assets held for sale are:		
- land	1,263	215
Total non-current asset held for sale	1,263	215

14 Investments in associates

Share in Associates	2008	2007
	\$000	\$000
Western Bay Moana Rural Fire Authority (50%)	75	71
Western Bay of Plenty Tourism and Visitors Trust (50%)	168	150
BoP LASS Ltd (12.5%)	-	-
	243	221

Western Bay of Plenty Moana Rural Fire Authority	2008	2007
	\$000	\$000
Assets	161	163
Liabilities	10	18
Revenues	170	185
Surplus / (deficit)	6	27
Western Bay's % interest	50.0%	50.0%

Western Bay of Plenty Tourism and Visitors' Trust	2008	2007
	\$000	\$000
Assets	704	579
Liabilities	369	279
Revenues	1,935	1,814
Surplus / (deficit)	36	76
Western Bay's % interest	50.0%	50.0%

BOPLASS Limited	2008	2007
	\$000	\$000
Assets	26	-
Liabilities	24	-
Revenues	50	-
Surplus / (deficit)	(6)	-
Western Bay's % interest	12.5%	-

Balance date of all associates is 30 June.

15 Property, plant and equipment

Movements for each class of property, plant and equipment are as follows:

Reconciliation of Property Plant and Equipment to Statement of Financial Position

	2008 \$000	2007 \$000
Property plant and equipment	965,938	953,657
Intangible assets	2,594	1,985
Property assets held for sale	1,263	215
	969,795	955,857

1. In respect of the roading component of infrastructural assets:

The Council has formerly recorded a decision to maintain the network in a defined and appropriate operating capacity by a programme of restoration to ensure that its life will be indefinitely prolonged.

2. An appropriate Asset Management Plan has been adopted by Council.

The Plan provides :

- the level of service required,
- the current physical extent, condition and capacity of the network,
- the timing, extent and cost of work required to maintain and restore the network's defined operating capacity in future years.

2008

	Cost / Revaluation	Accumulated depreciation and impairment charges	Carrying amount	Current year capital expenditure	Current year disposals	Curent year disposals deprn adj	Transfers	Current year depreciation	Revaluation	Cost / Revaluation	Accumulated depreciation and impairment charges	Carrying amount
	30-Jun-07	30-Jun-07	30-Jun-07	\$000	\$000	\$000	\$000	\$000	\$000	30-Jun-08	30-Jun-08	30-Jun-08
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Council operational assets												
Buildings	12,633	(261)	12,371	33	0	0	0	(135)	0	12,666	(396)	12,269
Coastal marine structures	1,888	(63)	1,824	2	0	0	0	(52)	0	1,889	(115)	1,774
Land	36,477	0	36,477	0	0	0	0	0	0	36,477	0	36,477
Library books	1,263	(184)	1,079	184	0	0	0	(231)	0	1,447	(416)	1,031
Mobile plant and vehicles	1,324	(371)	953	347	(171)	61	0	(215)	0	1,500	(525)	974
Office furniture and equipment	3,697	(2,251)	1,446	359	0	0	0	(333)	0	4,057	(2,584)	1,472
Other plant	262	(177)	86	0	0	0	0	(17)	0	262	(193)	69
Work in progress	1,289	0	1,289	(1,268)	0	0	1,143	0	0	21	0	21
Total operational assets	58,833	(3,308)	55,525	(344)	(171)	61	1,143	(983)	0	58,319	(4,230)	54,089
Council infrastructural assets												
Buildings	1,308	(29)	1,279	530	0	0	0	(31)	0	1,838	(60)	1,778
Land	18,970	0	18,970	2,906	0	0	(1,263)	0	0	20,612	0	20,612
Land under roads	178,551	0	178,551	259	0	0	0	0	0	178,810	0	178,810
Other plant	0	0	0	0	0	0	0	0	0	0	0	0
Roading - other	34,321	(1,258)	33,064	1,031	0	0	0	(1,261)	(633)	33,464	(1,263)	32,201
Roading - surfaces & carriageway	358,003	(4,616)	353,387	8,015	0	0	0	(5,398)	353	361,328	(4,971)	356,357
Stormwater	40,874	(512)	40,363	4,007	0	0	0	(737)	0	44,881	(1,249)	43,633
Water	68,766	(1,874)	66,892	1,997	0	0	0	(2,255)	0	70,763	(4,129)	66,634
Wastewater	89,030	(1,837)	87,194	1,851	0	0	0	(2,741)	0	90,882	(4,577)	86,304
Work in progress	5,487	0	5,487	1,948	0	0	0	0	0	7,435	0	7,435
Total infrastructural assets	795,311	(10,125)	785,186	22,545	0	0	(1,263)	(12,423)	(280)	810,014	(16,249)	793,765
Council restricted assets												
Buildings	9,047	(512)	8,535	1,143	0	0	(1,143)	(316)	0	10,190	(828)	9,362
Land	101,906	0	101,906	1,272	0	0	0	0	0	103,178	0	103,178
Work in progress	2,506	0	2,506	3,041	0	0	0	0	0	5,547	0	5,547
Total infrastructural assets	113,459	(512)	112,947	5,456	0	0	(1,143)	(316)	0	118,915	(828)	118,087
Total WBOPDC property, plant and equipment	967,603	(13,945)	953,658	27,657	(171)	61	(1,263)	(13,721)	(280)	987,248	(21,308)	965,938

2007

	Cost / Revaluation	Accumulated depreciation and impairment charges	Carrying amount	Current year capital expenditure	Current year disposals	Current year disposals deprn adj	Transfers	Current year depreciation & amortisation	Revaluation	Cost / Revaluation	Accumulated depreciation and impairment charges	Carrying amount
	30-Jun-06	30-Jun-06	30-Jun-06							30-Jun-07	30-Jun-07	30-Jun-07
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Council operational assets												
Buildings	12,902	(449)	12,452	50	0	0	0	(261)	130	12,633	(261)	12,371
Coastal marine structures	1,348	(94)	1,253	483	0	0	0	(63)	152	1,888	(63)	1,824
Land	29,804	0	29,804	1,801	0	0	0	0	4,873	36,477	0	36,477
Library books	932	(268)	664	329	0	0	0	(184)	270	1,263	(184)	1,079
Mobile plant and vehicles	1,372	(379)	993	518	(565)	244	0	(236)	0	1,324	(371)	953
Office furniture and equipment	3,284	(1,987)	1,298	413	0	0	0	(265)	0	3,697	(2,251)	1,446
Other plant	255	(153)	102	8	0	0	0	(24)	0	262	(177)	86
Work in progress	30	0	30	1,259	0	0	0	0	0	1,289	0	1,289
Total operational assets	49,926	(3,330)	46,595	4,860	(565)	244	0	(1,033)	5,424	58,833	(3,308)	55,525
Council infrastructural assets												
Buildings	919	(37)	882	493	0	0	0	(29)	(66)	1,308	(29)	1,279
Land	13,292	0	13,292	3,169	0	0	0	0	2,509	18,970	0	18,970
Land under roads	130,708	0	130,708	4,062	0	0	0	0	43,782	178,551	0	178,551
Other plant	0	0	0	0	0	0	0	0	0	0	0	0
Roading - other	31,282	(1,159)	30,123	2,398	0	0	0	(1,252)	1,795	34,321	(1,258)	33,064
Roading - surfaces & carriageway	318,442	(4,300)	314,142	12,516	0	0	0	(4,207)	30,937	358,003	(4,616)	353,387
Stormwater	25,670	(813)	24,858	5,994	0	0	0	(512)	10,023	40,874	(512)	40,363
Water	57,251	(8,059)	49,192	5,607	0	0	0	(1,874)	13,967	68,766	(1,874)	66,892
Wastewater	42,299	(1,882)	40,417	30,702	0	0	0	(1,837)	17,911	89,030	(1,837)	87,194
Work in progress	16,598	0	16,598	(11,111)	0	0	0	0	0	5,487	0	5,487
Total infrastructural assets	636,460	(16,250)	620,210	53,830	0	0	0	(9,711)	120,857	795,311	(10,125)	785,186
Council restricted assets												
Buildings	11,665	(858)	10,807	1,360	0	0	0	(516)	(3,116)	9,047	(512)	8,535
Land	87,454	0	87,454	187	0	0	0	0	14,265	101,906	0	101,906
Work in progress	1,338	0	1,338	1,168	0	0	0	0	0	2,506	0	2,506
Total infrastructural assets	100,457	(858)	99,598	2,715	0	0	0	(516)	11,150	113,459	(512)	112,947
Total WBOPDC property, plant and equipment	786,842	(20,438)	766,404	61,405	(565)	244	0	(11,261)	137,431	967,603	(13,945)	953,657

Valuation

Operational and restricted land and buildings

At fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by Landmass Technology Ltd and the valuation is effective as at 1 July 2006.

Infrastructural asset classes

Land

At fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by Landmass Technology Ltd and the valuation is effective as at 1 July 2006.

Sewerage and stormwater

At fair value determined on a depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Duffill, Watts and Hanna Ltd, and the valuation is effective as at 1 July 2006.

Water

At fair value determined on a depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Duffill, Watts and Hanna Ltd and the valuation is effective as at 1 July 2006.

Roading

At fair value determined on a depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Opus Valuers, and the valuation is effective as at 1 July 2007.

Land under roads

Land under roads was valued based on average land value within Wards by Landmass Technology Ltd, effective 1 July 2006. On transition to NZ IFRS Western Bay elected to use the fair value of land under roads as at 1 July 2006 as deemed cost. Land under roads is no longer re-valued.

Vested infrastructural assets

Valued based on the actual quantities of infrastructural components vested and the current in-ground cost of providing identical services. Assets vested to Western Bay are recognised in the Statement of Financial Performance as revenue and in the Statement of Financial Position as property, plant and equipment.

Library collections

At depreciated replacement cost in accordance with the guidelines released by the New Zealand Library Association and the National Library of NZ in May 2002. Library stock has been valued effective 1 July 2006 by independent registered valuers, Maunsell Ltd.

Total fair value of property, plant and equipment valued by each valuer

	2008 \$000	2007 \$000
Opus Valuers	385,747	377,411
Duffill, Watts and Hanna Ltd	-	156,849
Landmass Technology Ltd	-	349,389
Maunsell Ltd	-	933
	385,747	884,582

Work in progress

The total amount of property, plant and equipment in the course of construction is \$13.0m (2007 \$11.8m).

Impairment

There were no impairment losses for 2008 (2007 \$Nil).

16 Intangible assets

	Computer Software		Resource Consent		Property Subdivision Rights		Total	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Balance at 1 July								
Cost	1,726	1,637	482	482	787	-	2,994	2,119
Accumulated amortisation and impairment	(1,103)	(965)	(24)	-	(15)	-	(1,141)	(965)
	623	672	458	482	772	-	1,853	1,154
Work in progress			132	132			132	132
Opening carrying amount	623	672	590	614	772	-	1,985	1,286
Year ended 30 June								
Additions	156	89	0	0	744	787	900	876
Amortisation charge	(141)	(138)	(24)	(24)	(126)	(15)	(291)	(177)
Closing carrying amount	638	623	566	590	1,389	772	2,594	1,985
Balance as 30 June								
Cost	1,882	1,726	482	482	1,530	787	3,894	2,994
Accumulated amortisation and impairment	(1,244)	(1,103)	(48)	(24)	(141)	(15)	(1,432)	(1,141)
	638	623	434	458	1,389	772	2,462	1,853
Work in progress	0	0	132	132	-	-	132	132
Closing carrying amount	638	623	566	590	1,389	772	2,594	1,985

There are no restrictions over the title of Western Bay's intangible assets, nor are any intangible assets pledged as security for liabilities.

Property subdivision – refer to Note 31(a).

17 Investment property

	Actual 2008 \$000	Actual 2007 \$000
At cost	432	432
Revaluations brought forward	422	422
Current year revaluations	(4)	79
At net current value	850	933

Western Bay's investment properties are valued annually at fair value effective 1 July. All investment properties were valued based on open market evidence. The valuation was performed by Garth D Laing, an independent registered valuer from Property Solutions (BOP) Ltd. Garth D Laing is an experienced valuer with extensive market knowledge in the types of investment properties owned by Western Bay.

	2008 \$000	2007 \$000
Rental income	200	226
Expenses from investment property generating income	(1,179)	(688)
Expenses from investment property not generating income	(486)	(405)

18 Trade and other payables

	2008 \$000	2007 \$000
Trade payables	8,800	8,924
Deposits and bonds	1,062	1,206
Environment Bay of Plenty rates	167	167
Amounts due to related parties	Nil	Nil
Rates in advance	1,304	1,164
Other income in advance	108	143
GST payable/(refund)	(1,034)	(608)
Sundry payables	268	83
Total creditors and other payables	10,675	11,079

Trade payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade payables approximates their fair value.

19 Borrowings

19(a) Current

	Actual 2008 \$000	Actual 2007 \$000
Bank overdraft	94	-
Debentures secured loans fixed	5,000	17,000
Debentures secured loans floating	19,600	-
Total current secured loans	24,600	17,000
Total current borrowings	24,694	17,000

19(b) Non-current

	Actual 2008 \$000	Actual 2007 \$000
Secured loans		
Debentures	71,520	68,773
	71,520	68,773
Total public debt	96,214	85,773

Western Bay's secured debt of \$76,520k (2007: \$85,773k) is issued at fixed rates of interest.

Western Bay's secured floating debt of \$19,600k (2007: \$0k) is issued at a margin of .10bps above BKBM.

19(c) Security

Council loans are secured over either separate or general rates of the district.

19(d) Repayment Terms

The following is a maturity analysis of total public debt

	Actual 2008 \$000	Actual 2007 \$000
Payable no later than one year	5,094	17,000
<i>Weighted average interest rate</i>	6.39%	6.72%
Payable no later than one year	19,600	-
<i>Weighted average interest rate</i>	8.44%	-
later than one, not later than five years	37,002	28,250
<i>Weighted average interest rate</i>	6.29%	6.42%
Later than five years	34,517	40,523
<i>Weighted average interest rate</i>	6.78%	6.86%
	96,214	85,773

19(e) Fair values of non current borrowings

	Carrying Amounts 2008	Carrying Amounts 2007	Fair Values 2008	Fair Values 2007
	\$000	\$000	\$000	\$000
Secured loans	71,520	68,773	73,471	67,778
Total	71,520	68,773	73,471	67,778

The fair values are based on cash flows discounted using a rate based on the borrowing rates.

The carrying amounts of borrowings repayable within one year approximate their fair value, as the impact of discounting is not significant.

19(f) Interest Rates

The weighted average effective interest rates on borrowings (current and non-current) were:

	Actual 2008 %	Actual 2007 %
Secured loans and debentures	7.49%	6.71%

19(g) Variations from/changes to the Borrowing management Policy

Western Bay has elected not to hedge account for its derivative financial instruments.

Western Bay manages its borrowings in accordance with its funding and financial policies, which includes a Borrowings Management Policy. These policies have been adopted as part of the Long Term Council Community Plan.

Debentures

Western Bay's secured debt of \$96.1m (2007 \$85.8m) is mostly issued at fixed rates of interest.

For floating rate debt, the interest rate is reset quarterly based on the 90-day bank bill rate plus a 0.16% margin for credit risk.

Security

The overdraft is secured. The maximum amount that can be drawn down against the overdraft facility is \$600k (2007 \$600k). There are no restrictions on the use of this facility.

20 Employee entitlements

	Actual 2008 \$000	Actual 2007 \$000
Accrued pay	274	269
Annual leave & accrued entitlements	1,019	1,020
Sick leave	25	11
Retirement gratuities	36	62
	1,355	1,362
Made up of:		
Current	1,319	1,300
Non-current	36	62
Total Employee Entitlements	1,355	1,362

21 Provisions

	Actual 2008 \$000	Actual 2007 \$000
Current portion		
Landfill aftercare provision	6	-
Weathertight Homes Resolution Service	55	55
Performance Based Contract provision - InRoads	1,215	-
Total current portion	1,276	55
Non current portion		
Landfill aftercare provision	417	429
Weathertight Homes Resolution Service	-	-
Performance Based Contract provision - InRoads	3,626	4,754
Total non current portion	4,043	5,183
Total provisions	5,319	5,238

Movements for each class of provision are as follows:

	Landfill \$000	Weathertight Homes \$000	PBC Contract \$000	Total \$000
2007				
Balance at 1 July 2006	434	-	4,331	4,765
Additional provisions made		55	2,265	2,320
Amounts used	(5)		(1,192)	(1,197)
Discount unwinding			(650)	(650)
Balance at 30 June 2007	429	55	4,754	5,238
2008				
Balance at 1 July 2007	429	55	4,754	5,238
Additional provisions			750	750
Amounts used	(6)		(96)	(102)
Discount unwinding			(567)	(567)
Balance at 30 June 2008	423	55	4,841	5,319

Landfill aftercare costs

Western Bay gained resource consents to operate the Te Puke and Athenree landfills. Western Bay has responsibility under the resource consents for closure of the landfills and to provide ongoing maintenance and monitoring of the landfills after the sites are closed. The Te Puke landfill was closed in 1999 and the Athenree landfill in 2003.

Western Bay's responsibilities include:

- Closure costs;
- Final cover application and investigation
- Incremental drainage control features
- Facilities for leachate collection and monitoring
- Facilities for water quality monitoring

Post closure costs include;

- Treatment and monitoring of leachate
- Groundwater surface monitoring
- Implementation of remedial measures as needed for cover and control systems
- Ongoing life maintenance of drainage systems, final cover and vegetation.

The estimated remaining liability for closure and post closure of Athenree is \$0.51m (2007 \$0.53m) and for post closure of Te Puke of \$0.41m (2007 \$0.43m) over the remaining life (Athenree 27 years, Te Puke 24 years) of the resource consents. This liability has been discounted back to a current value of \$0.42m (2007 \$0.43m) using a discount rate of 7% (2007 7%)

Te Puke remaining post closure costs \$0.41m over 24 years
 Athenree remaining post closure costs \$0.51m over 27 years
 Liability discounted back to \$0.42m using a 7% discount rate.

Estimates of the life have been made by Western Bay's engineers based on historical volume information.

Performance Based Contract Provision

The seal extension provision is recognised in the Statement of Financial Position as the net present value of cash outflows expected to be required to settle the current obligation under the performance based contract with In³Roads.

The balance of the seal extension liability was \$5.407m as at 30 June 2008 (2007 \$5.574m). The liability is discounted back to \$4.840m (2007 \$4.754m) using a discount rate of 7% (2007 7%).

22 Equity

22(a) Retained earnings

	Actual 2008 \$000	Actual 2007 \$000
Opening balance	706,879	682,819
Surplus (deficit)	738	26,158
	707,617	708,977
Transfers to:		
Restricted reserves	31	20
Council created reserves	3,651	6,384
	3,682	6,404
Transfers from:		
Restricted reserves	5	4
Council created reserves	5,190	4,300
Asset revaluation reserve	15	1,282
Reclassification of liabilities to reserves	-	(1,282)
	5,211	4,304
Closing balance	709,147	706,879

22(b) Restricted Reserves

	Actual 2008 \$000	Actual 2007 \$000
Opening balance	370	354
Transfers to:		
Council created reserves	-	-
Accumulated funds	5	4
	5	4
Transfers from:		
Accumulated funds	31	20
Closing balance	395	370

22(c) Council-created reserves

	Actual 2008 \$000	Actual 2007 \$000
Opening balance	16,097	14,013
Transfers to:		
Restricted reserves	-	-
Accumulated funds	5,190	4,300
	5,190	4,300
Transfers from:		
Restricted reserves	-	-
Accumulated funds	3,651	6,384
	3,651	6,384
Closing balance	14,558	16,097

22(d) Asset revaluation reserves (see comment 1)

	Actual 2008 \$000	Actual 2007 \$000
Infrastructural:		
Land	2,411	2,509
Buildings	(66)	(66)
Water Supply	13,967	13,967
Road Reserves	47,010	47,010
Road Surface	38,449	38,097
Other Roding	1,162	1,795
Sewerage	17,911	17,911
Stormwater	10,023	10,023
Operational Assets:		
Land	4,873	4,873
Buildings	130	130
Coastal Marine	152	152
Library Books	270	270
Restricted Assets:		
Land	11,149	11,149
Total general asset revaluation reserve	147,441	147,818

General Asset Revaluation Reserve

This covers all assets that are revalued except for investment properties.

	Actual 2008 \$000	Actual 2007 \$000
Opening balance	147,818	10,388
Change in asset value	(377)	137,430
Closing balance	147,441	147,818
Comprising		
Land	21,549	21,646
Buildings	(3,052)	(3,052)
Water supply	13,967	13,967
Roding	86,621	86,901
Wastewater	17,911	17,911
Stormwater	10,023	10,023
Coastal marine structures	152	152
Library books	270	270
Total asset revaluation reserve	147,441	147,818

Comment 1:- Under the transitional provisions to IFRS the asset revaluation reserve balance at 1 July 2005 of \$356.011m was written off to retained earnings. Under the transitional provisions to IFRS all financial contributions have been transferred to Council created reserves.

Restricted reserves relate to:

Hunter Estate Reserve in Katikati - funds available for capital only on the Reserve.

L'Anson reserve in Te Puna – funds available for operating and capital costs on the Reserve.

Hastie Bequest Restricted Reserve – funds restricted to costs associated with digital purposes at Te Puke library and Pongakawa School Library.

C E Miller Estate Restricted Reserve – funds available for the beautification of Katikati.

23 Reconciliation of net surplus/(deficit) to net cash flow from operating activities

	Actual 2008 \$000	Actual 2007 \$000
Net Surplus	738	26,158
Associated Entity Surpluses	(20)	(179)
Add (less) non-cash items		
Depreciation and amortisation	14,012	11,438
Vested assets	(2,554)	(3,813)
Loss on sale of assets	54	25
Landfill closure provision	(6)	(5)
PBC liability movement	87	-
Revaluation Investment	-	(79)
Employee Expenses	19	(64)
Unrealised Hedging Movement	1,331	(3,107)
Add (less) movements in working capital items:		
Accounts receivable	1,322	(4,986)
Accounts payable	2,034	720
Provisions and other liabilities	(55)	(778)
Add (less) items classified as investing activities		
Loss on sale of fixed assets (1)	3	-
Net cash inflow (outflow) from operating activities	16,965	25,330

24 Capital commitments and operating leases

	2008 \$000	2007 \$000
Property, plant and equipment	6,732	5,480
Total capital commitments	6,732	5,480

Operating leases as lessee

Western Bay leases property, 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:

	2008 \$000	2007 \$000
Not later than one year	66	49
Later than one year and not later than two years	65	1
Later than two years and no later than five years	76	-
Total non-cancellable operating leases	207	50

Leases can be renewed at Western Bay's option, with rents set by reference to current market rates for items of equivalent age and condition.

There are no restrictions placed on Western Bay by any of the leasing arrangements.

No contingent rents have been recognised in the statement of financial performance during the period.

Other Commitments - Performance Based Roothing Contract and Utilities Professional Services Contract

In addition to the above commitments Council has entered into contracts for the provision of capital and maintenance work to the District's roading network and provision of professional management services to the utilities network.

In October 2002, Council entered into a ten year performance based contract with Opus International Consultants to provide capital and maintenance work to the district roading network. The value of the contract is \$124m and as of June 2008 \$51.9m remained committed on this contract for the remaining four years. As part of the contract there is ongoing performance and condition monitoring to ensure compliance with the key performance indicators of the contract. Failure by the contractor to meet these key performance indicators can lead to termination of the contract. The contract provides in the first five years for substantial capital works to be undertaken. This reduces the risk to Council.

From 1st July 2008 there will be a significant change in the contractual arrangements with Duffill Watts Consulting Group (DWG) for the professional management services to the Utilities work. By mutual agreement the existing contract has been varied to reflect the asset management component moving back to Council. The contract is still performance based and failure by DWG to meet agreed performance standards can lead to termination of their contract.

The total contract value is \$8m as of June 2008 and is committed over a two year period.

25 Contingencies

Contingent liabilities

	2008 \$000	2007 \$000
Building Act claims	35	80
Financial guarantees	nil	nil
Other legal proceedings	-	1,500
Total contingent liabilities	35	1,580

Other legal proceedings

Wilson Park Reserve

The landowner is claiming some reserve credits for providing reserve land in excess of what was required for subdivision. Council has been advised by its legal representatives of a low risk that future reserve contributions recovered from development in Waihi Beach may be less than currently programmed. Legal representatives have not identified any direct financial exposure to Council in relation to this issue.

Building Act claims

The Building Act 2004 imposes certain obligations and liabilities on local authorities in respect to the issue of building consents and inspection of work done. At the date of this report, 3 matters under that Act indicating potential liabilities of \$35k (2007 \$80k) had been brought to the Western Bay's attention.

Unquantified claims

Three claims have been lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2008 (2007 three claims). These claims relate to weather tightness issues of homes in the Western Bay of Plenty area and name Western Bay as well as other parties. It is not yet certain whether these claims are valid and whom will be liable for the building defects, therefore, Western Bay is unable to assess it's exposure to the claims lodged with WHRS. The costs of any successful claims against Western Bay are expected to be substantially covered under Western Bay's insurance policies.

Share of associate's contingent liabilities

There are no shared contingent liabilities associated with any associates of Council.

GST Returns

Council has identified an issue with the GST return in the latter part of the year. This was due to a system error and Western Bay is reviewing all calculations for April, May and June 2008. IRD has been advised that Council will be filing new returns for those months. The current GST receivable of \$1.03m (included in Accounts Receivable) represents the net receivable for that period and we do not anticipate major changes to this assessment, however, this is still to be confirmed with IRD.

26 Prior year adjustments

In 2007 Western Bay entered into an agreement with Tauranga City Council and a third party which included the purchase of a block of land at Papamoa referred to as Te Tumu (as detailed in note 31a). This was initially accounted for as a property purchase.

During 2008 it was identified that due to the nature of the agreement that the Council's interest in the property was incidental to the substance of the transaction which in effect constitutes a financial instrument (i.e. a loan) and interest in an intangible asset. The reclassification is material and therefore a prior period adjustment has been made.

The restatement has had the following impact on prior period balances:

	Dr/(Cr) \$000
Income statement	
Interest Revenue	(35)
Amoritisation Expense	15
Appropriation Expenses	28
	8
Statement of Changes in Equity	
Surplus for the year	8
Statement of Financial Position	
Property, Plant and Equipment	(2,528)
Intangible Assets	772
Financial Instruments	1,748

27 Related party transactions

Financial transactions have taken place during the financial years with the following related parties:

Related party transactions with associates

	2008 \$000	2007 \$000
Western Bay of Plenty Moana Rural Fire Authority		
Services provided by Western Bay	93	102
Western Bay of Plenty Tourism and Visitors Trust		
Services provided to Western Bay	-	-
Assets sold to Western Bay	-	-
Accounts receivable from Western Bay	151	147
BOPLASS Limited		
Services provided to Western Bay	-	-
Assets sold to Western Bay	-	-
Accounts receivable from Western Bay	-	-

Council has a 50% interest in Western Bay of Plenty Moana Rural Fire Authority which is an Incorporated Society established to co-ordinate delivery of rural fire support within the District. In the year ending 2008 the Council's significant policies and objectives in regard to ownership and control of the organisation as set out in the constitution have been attained. This is in respect of the resources, activities and entities under its control that it has: operated effectively and efficiently: it has complied with laws, regulations and contractual requirements: and its business has been conducted with regard to probity.

Councillor Kevin Marsh is on the Board of Western Bay of Plenty Moana Rural Fire Authority.

Council has a 50% interest in Western Bay of Plenty Tourism and Visitors Trust. This is a not for profit entity established to promote the economic welfare and development of the Western Bay of Plenty region and its citizens through the marketing, management and any other activity which impacts on the region as a visitor and tourist destination.

Council has an 1/8th share in BOPLASS Limited. BOPLASS Limited has been established to foster collaboration between councils in the delivery of services particularly back office or support services.

Western Bay of Plenty District Council's Chief Executive, Glenn Snelgrove, is a director of BOPLASS Limited.

Transactions with key management personnel

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Western Bay (such as payment of rates, purchase of rubbish bags etc).

During the year Western Bay purchased services from Coastal Maintenance NZ Ltd, a maintenance firm, in which Community Board Member Peter Rae is a partner. These services cost

\$10,137 (2007 \$46,398) and were supplied on normal commercial terms. There is no balance outstanding for unpaid invoices at year-end (2007 \$nil).

During the year Western Bay purchased services from John Doggett, a repairs and maintenance firm, in which Community Board Chair John Doggett is a partner. These services cost \$9,842 (2007 \$1,636) and were supplied on normal commercial terms. There is no balance outstanding for unpaid invoices at year-end (2007 \$nil).

During the year Western Bay contracted with Michael Mills Consultant, in which Michael Mills (partner of GM Policy & Planning) is a partner. The value of the contract works totalled \$24,750 (2007 \$Nil) and was negotiated on normal commercial terms. There is no balance outstanding at year-end (2007 \$Nil).

During the year Western Bay contracted with Cherrywood United Travel, in which Cherie Snelgrove (wife of Western Bay CEO) is a shareholder. The value of the contract works totalled \$5,792 (2007 \$Nil) and was negotiated on normal commercial terms. There is no balance outstanding at year-end (2007 \$Nil).

The wife of Western Bay's GM Customer & Business Services is employed at Western Bay in the role of Communications Co-ordinator.

Apart from these transactions no other Councillors or senior management personnel have entered into related party transactions with the Council.

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2007 \$nil).

Key management personnel compensation

	Actual 2008 \$000	Actual 2007 \$000
Salaries and other short term employee benefits	977	1,110
Termination benefits	70	-
Total key management personnel compensation	1,047	1,110

Key management personnel include the Mayor, Councillors, Chief Executive and other senior management personnel.

28 Remuneration

Chief Executive

The Chief Executive of Western Bay of Plenty District Council appointed under Section 42 of the Local Government Act 2002 received a salary of \$263,470 (2007 \$220,670).

In terms of his contract the Chief Executive received the following remuneration:

	Actual 2008	Actual 2007
	\$	\$
Salary	263,470	166,554
Contribution to superannuation scheme	-	54,116
Vehicle (market value plus FBT)	19,049	17,608
Performance bonus	10,000	-
Other benefits (including medical insurance)	3,030	3,193
Total remuneration	295,550	241,471

Elected Representatives

Elected representatives received the following remuneration:

	2008	2007
	\$	\$
Councillors		
Bruning, Norman Francis	28,209	32,781
Burgess, Maureen	22,389	-
Dunlop, Francis Miles (Sam)	28,209	30,435
Goudie, Ross	28,209	25,751
Gravit, Josephine Helen	28,209	33,589
Jones, Michael Charles	28,209	33,240
Marsh, Kevin Alexander	22,389	22,732
Matthews, Susan	22,389	-
Mayo, Norman Frederick	-	23,640
Murray-Benge Margaret Elizabeth	22,389	23,990
North, Brian John	-	22,732
Paterson, Ross James	36,293	38,494
Thomas, Paul Geoffrey	28,209	37,737
Treloar, Lorna	-	22,732
Weld, Graeme Lineham	77,258	78,163
Williams, Michael	22,389	-
Total Councillors	394,750	426,014

	2008	2007
	\$	\$
Community Board Members		
Bacon, Lex Noel	-	3,186
Coates, Patricia Margaret	9,557	9,557
Craig, Murray Alexander	3,186	3,186
Doggett, John Douglas	4,778	2,389
Duske, Bruce	9,557	3,186
Firth, Heather	3,186	-
Gibbs, Brendan	3,186	-
Gifford, Janice Doris	-	3,186
Gunn, Karyl	9,557	3,186
Hassell, Peter	3,186	-
Hicks, Robert	3,186	-
Hughes, Trevor Richard	2,389	4,778
Johnston, Max Robert	-	2,389
Lawn, Alwyn	3,186	-
May, David Nelson	-	9,557
Miller, Peter	3,186	-
Mowat, Lorraine Patricia	-	2,696
Pittar, Russell	-	3,186
Poihipi, Carol	2,389	2,389
Rae, Peter Ernest	3,186	3,186
Simpson, Stephan	2,389	-
Slater, Shirley	-	3,186
Sole, Neil William	3,186	9,557
Stringfield, Antonia Margaret	-	3,186
Taylor, Gordon William John	3,186	3,186
Thompson, Anthony John	-	3,186
Tipene, Hawea	-	3,186
Walker, Graeme	3,186	-
Whittaker, Glenn	9,557	9,557
Williams, Kate Alexandra Helen	-	3,186
Williams, Susan	3,186	-
Total Community Board Members	88,405	94,282
Non-Monetary Remuneration		
Weld, Graeme Lineham	19,350	23,808

29 Severance payments

For the year ended 30 June 2008 Western Bay of Plenty District Council made three (2007 none) severance payments to employees totalling \$102,700 (2007 \$nil).

The value of each of the severance pays was \$50,000, \$42,200 and \$10,500.

30 Events after the balance date

There were no significant events after balance date.



31 Financial instruments

31a Financial instrument categories

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

	2008 \$000	2007 \$000
Financial assets		
Derivative financial instruments that are not hedge accounted		
Fair value through profit and loss	2,241	3,572
Financial instruments		
Financial instruments *	3,820	1,748
Loans and receivables		
Cash and cash equivalents	4	2,846
Debtors and other receivables	7,927	9,281
Total loans and receivables	7,931	12,127
Fair value through equity		
Other financial assets:		
- local authority stock	48	45
- listed shares	19	19
Total held to maturity	67	64
Financial liabilities		
Derivative financial instruments that are not hedge accounted		
Fair value through profit and loss	-	-
Financial liabilities at amortised cost		
Creditors and other payables	10,675	11,079
Borrowings:		
- bank overdraft	94	-
- secured loans	-	-
- debentures	96,120	85,773
Total financial liabilities at amortised cost	106,889	96,852

* Te Tumu - note overleaf

Te Tumu

Tauranga City Council (TCC) and Western Bay of Plenty District Council (Western Bay) together acquired a block of land at Papamoa referred to as Te Tumu. This land was purchased with the condition of providing the vendor the option to acquire it sometime from December 2016 to December 2026 repaying the loan and interest to TCC/Western Bay. The rationale for TCC/Western Bay purchasing the land was to ensure development of this land was consistent with SmartGrowth initiatives. Both Councils have no desire to be the developer of this land or retain ownership in the long-term.

With this purchase of the land, the vendor has the right to use the land in its undeveloped state until December 2016. This gives rise to the creation of a financial asset which is available for sale whereby TCC/Western Bay have a right to receive cash if the vendor exercises their option to repurchase the property. The initial impairment of the loan is recognised as the amount payable to Council for the right to use the land in its undeveloped state, which in turn creates a "Property Subdivision Right" asset. The asset is recognised as an intangible asset and amortised over the period the vendor is expected to exercise their option to repurchase the property.

The sale/purchase agreement for the land includes a number of restrictions/obligations upon both the vendor and TCC/Western Bay. The sale/purchase agreement also provides the vendor rights to acquire the land from TCC/Western Bay, initially in December 2016 and then annually until December 2026 by repaying the loan and interest.

31b Financial instrument risks

Western Bay has a series of policies to manage the risks associated with financial instruments. Western Bay is risk averse and seeks to minimise exposure from its treasury activities. Western Bay 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.

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. Western Bay is exposed to equity securities price risk on its investments. This price risk arises due to market movements in listed securities. This price risk is managed by diversification of Western Bay's investment portfolio in accordance with the limits set out in Western Bay's Investment policy.

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 Western Bay to fair value interest rate risk. Western Bay's Liability Management policy is to maintain approximately 50% 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 Western Bay has borrowed at fixed rates in excess of the 50% target above.

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 Western Bay to cash flow interest rate risk.

Generally, Western Bay 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 Western Bay borrowed at fixed rates directly. Under the interest rate swaps, Western Bay 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 Western Bay, causing Western Bay to incur a loss. Due to the timing of its cash inflows and outflows, Western Bay invests surplus cash into term deposits and local authority stock which gives rise to credit risk.

Western Bay's Investment policy limits the amount of credit exposure to any one financial institution or organisation. Investments in other Local Authorities are secured by charges over rates. Other than other local authorities, the group only invests funds with entities that have a Standard and Poor's or Moody's credit rating of A- or above for long-term investments.

Western Bay has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Maximum exposure to credit risk

Western Bay's maximum credit exposure for each class of financial instrument is as follows:

	2008 \$000	2007 \$000
Cash at bank and term deposits	4	2,846
Debtors and other receivables	7,927	9,281
Local authority and government stock	67	64
Derivative financial instrument assets	2,241	3,572
Financial guarantees	-	-
Financial instruments	3,820	1,748
Total credit risk	14,059	17,511

31b Financial instrument risks (continued)

Credit quality of financial assets

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:

	2008 \$000	2007 \$000
COUNTERPARTIES WITH CREDIT RATINGS		
Cash at bank and term deposits:		
A-1+	-	2,843
Total cash at bank and term deposits	-	2,843
Local authority and government stock:		
A	48	45
Total local authority and government stock	48	45
Derivative financial instrument assets:		
AA	2,241	3,572
Total derivative financial instrument assets	2,241	3,572
Financial instrument assets		
No rating	3,820	1,748
Total derivative financial instrument assets	3,820	1,748
COUNTERPARTIES WITHOUT CREDIT RATINGS		
Existing counterparty with no defaults in the past	19	19
Total community and related party loans	19	19

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

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that Western Bay 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. Western Bay aims to maintain flexibility in funding by keeping committed credit lines available.

Western Bay manages its borrowings in accordance with its funding and financial policies, which include a Liability Management policy. These policies have been adopted as part of the Western Bay's Long Term Council Community Plan.

Western Bay has a maximum amount that can be drawn down against its overdraft facility of \$600k (2007 \$600k). There are no restrictions on the use of this facility.

Contractual maturity analysis of financial liabilities

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

	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 2008						
Creditors and other payables	10,675	10,675	10,675	-	-	-
Bank overdraft	94	94	94	-	-	-
Secured loans	96,120	102,541	24,888	4,301	35,855	37,497
Total	106,889	113,310	35,657	4,301	35,855	37,497
Council 2007						
Creditors and other payables	11,079	11,079	11,079	-	-	-
Debenture secured loans	85,523	91,520	17,554	8,619	28,063	37,283
Unsecured loans	250	250	250	-	-	-
Total	96,852	102,849	28,884	8,619	28,063	37,283

31b Financial instrument risks (continued)

Contractual maturity analysis of financial assets

The table below analyses Western Bay's financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

	Carrying amount \$000	Contractual cash flows \$000	Less than 1 year \$000	1-2 years \$000	2-5 years \$000	More Than 5 yrs \$000
Council 2008						
Cash and cash equivalents	4	4	4	-	-	-
Debtors and other receivables	7,927	7,927	7,927	-	-	-
Net settled derivative assets	2,241	3,011	-	542	1,807	662
Net settled financial instruments	3,820	5,000	-	-	-	5,000
Other financial assets:						
- local authority and government stock	67	67	67	-	-	-
Total	14,059	16,009	7,998	542	1,807	5,662
Council 2007						
Cash and cash equivalents	2,846	2,846	2,846	-	-	-
Debtors and other receivables	9,281	9,281	9,281	-	-	-
Net settled derivative assets	3,572	4,199	95	77	1,127	2,899
Net settled financial instruments	1,748	2,500	-	-	-	2,500
Other financial assets:						
- local authority and government stock	64	64	64	-	-	-
Total	17,511	18,890	12,286	77	1,127	5,399

Sensitivity analysis

The tables overleaf illustrate the potential profit and loss and equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on Western Bay's financial instrument exposures at the balance date.

	Note	2008 \$000				2007 \$000			
		Profit	-100bps Other Equity	Profit	+100bps Other Equity	Profit	-100bps Other Equity	Profit	+100bps Other Equity
Interest Rate Risk									
Financial assets									
Cash and cash equivalents	1	-	-	-	-	(28)	-	28	-
Derivatives – interest rate swaps	2	1,051	-	3,401	-	1,436	-	5,789	-
Financial instruments	3	(38)	-	38	-	(17)	-	17	-
Other financial assets:									
- local authority stock	4	-	-	-	-	-	-	-	-
Financial liabilities									
Borrowings:									
- bank overdraft	5	(1)	-	1	-	-	-	-	-
- debentures	6	(961)	-	961	-	(855)	-	855	-
Total sensitivity to interest rate risk		50	-	4,401	-	535	-	6,690	-
Equity Price Risk									
Financial assets									
Other financial assets:									
- quoted share investments	8	-	(2)	-	(2)	-	-	2	-
Total sensitivity to equity price risk			(2)		2				

Explanation of sensitivity analysis

1. Cash and cash equivalents

Cash and cash equivalents include deposits at call totalling \$4k (2007 \$2.85m) which are at floating rates. A movement in interest rates of plus or minus 1.0% has an effect on interest income of \$Nil (2007 \$28k).

2. Derivatives

Financial assets

Derivative financial assets not hedge accounted includes interest rate swaps with a fair value totalling \$2.24m (2007 \$3.57). A movement in interest rates of plus or minus 1.0% has an effect on the swap value of plus \$3.401m (2007 \$5.789m) and minus \$1.051m (2007 \$1.436m). It had a realised receipts/(payments) on the cash flow hedge interest swap during the period of \$0.82m to \$2.1m (2007 \$0.36m to \$2.9m).

31b Financial instrument risks (continued)

Explanation of sensitivity analysis (continued)

3. Financial instruments

Financial instruments includes Te Tumu land purchase totalling \$3.82m (2007 \$1.75m).

A movement in interest rates of 1.0% has an effect of \$50k (2007 (\$25k)) on the unrealised value of the financial instruments.

4. Local authority stock

A total of \$48k (2007 \$45k) of investments in local authority stock are classified at fair value through equity. A movement in interest rates of plus or minus 1.0% has an effect of \$2 (2007 \$2k) on the fair value through equity reserve.

5. Bank overdraft

Bank overdrafts totalling \$94k (2007 \$Nil) are at a floating interest rate. A movement in interest rates of plus or minus 1.0% has an effect on interest expense of \$1 (2007 \$Nil).

6. Secured loans

Debentures - Secured Loans

Council has floating rate debt with a principal amount totalling \$96.12m (2007 \$85.77m). A movement in interest rates of plus or minus 1.0% has an effect on interest expense of \$961k (2007 \$855k). A movement in market interest rates on fixed rate debt does not have any impact because secured loans are accounted for at amortised using the effective interest method.

7. Creditors and other payables

Trade payables do not include any foreign currency denominated payables in relation to plant and equipment purchases. Therefore there is no currency price risk and no movement under sensitivity analysis.

8. Listed shares

Western Bay holds equity instruments in Zespri (\$18k (2007 \$19k), these are not publicly traded. If there was a movement of plus or minus 10% in the share price the effect would have an increase in the fair value through equity reserve of \$2k (2007 \$2k).

32 Capital management

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

The Local Government Act 2002 (the Act) 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 Act 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 all major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Council Community Plan (LTCCP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. The Act 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 LTCCP.

Western Bay 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 the general rate. 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 generally can only be approved by Council.

Trust and bequest reserves are set up where 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.

33 Explanation of major variances against budget

Explanations for major variations from Western Bay's estimated figures in the 2007/2008 Annual Plan are as follows:

Statement of Financial Performance

Actual 2008 versus budget

Council recorded a net surplus of \$738k as compared with a budgeted surplus of \$11.7m, a decrease of \$11m. The major contributors to this variance were:

Increases in revenue:

Vested Assets \$594k

Decreases in revenue:

The \$1.3m TECT grant for the TECT All Terrain Park was not received.

A \$2.3m reduction in budgeted financial contributions revenue.

Increases in expenditure:

An increase in depreciation and amortisation expense of \$2.5m.

An increase in pavement maintenance costs for transportation of \$2.9m.

An increase of \$2.9m in financing costs offset by financing income of \$1.8m.

Actual 2008 versus actual 2007

Net surplus for the 2008 year was \$738k as compared to a surplus in 2007 of \$26.2m, a movement of \$25.4m. The major variances were as follows:

Increases in Revenue

Rates income was \$3m higher in 2008

Decreases in revenue:

Revenue from financial contributions was \$4.1m lower in 2008.

Finance income was higher by \$1m.

There was one off subsidy income from the Ministry of Health of \$6.5m received in 2007 for the Omokoroa Wastewater Scheme.

In 2007 there were unrealised gains of \$3.1m on interest rate swaps. In 2008 the valuation had reverted to an unrealised loss of \$1.3m, an unfavourable net movement of \$4.4m.

Vested assets income was also down \$1.3m on the previous year.

Increases in expenditure:

Operating costs for transportation were \$4.3m higher in 2008

Depreciation and amortisation expense was \$2.5m higher than in 2007.

Financing costs were \$3.5m higher in 2008 (\$1.3m relating to the unrealised loss of the interest rate SWAP).

Personnel costs increased by \$811k.

Statement of Financial Position

Actual 2008 versus actual 2007

The value of Council's net assets increased very slightly by \$376k over the last year to \$871.5m. There were few significant movements apart from an increase in property plant and equipment of \$11.2m to \$965.9m offset by an increase in external debt of \$10.3m to \$96.1m. In addition there was a decrease in cash deposits of \$2.8m and receivables of \$1.4m.

Statement of Movements in Equity

Actual 2008 versus actual 2007

There was an increase in equity of \$376k which was due to the net surplus of \$738k offset by a decrease in asset revaluations of \$363k in the transportation asset revaluation reserve.

Statement of Cash Flows

Cash balances refer to cash on hand, account balances, demand deposits and other liquid investments in which Council invests as part of its cash management.

Actual 2008 versus budget

Net cash inflows from operating activities were lower than budget by \$4.2m. This was due to a reduction in other revenues \$3.5m such as financial contributions \$2.2m subsidies and grants of \$880k and contributions \$500k, an increase in supplier costs of \$1.4m and an increase in interest expense of \$1.5m offset by interest received of \$2.0m.

Net cash outflows to investing activities were lower than budget by \$4.8m due to a decrease in actual capital expenditure of \$10.2m offset by the purchase of Te Tumu property of \$5m, and greater than expected income from property sales.

Cash flows to financing were below budget by \$3.6m due to less debt than budgeted being raised.

Actual 2008 versus actual 2007

Net cash inflows from operating were \$8.4m lower than last year as no Ministry of Health subsidy was received in 2008 (\$6.5m in 2007), payments to suppliers and employees was \$5.9m higher in 2008 and interest expense was also \$3.2m higher in 2008. Offsetting these was an increase in rates revenue of \$2.9m and interest income of \$2.0m.

Net cash outflows to investing were \$28.5m less this year reflecting the completion of major capital projects in 2007. This is also reflected in the reduction in loans raised under financing cashflows in 2008 (\$53m in 2007 versus \$29.6m in 2008)