

# Our Finances

## Statement of Comprehensive Income - year ended 30 June 2009

	Note	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
<b>Revenue</b>				
Revenue from Activities	2(c)	13,405	11,771	11,126
Rate Income	3(a)	26,014	25,376	23,810
Separate Rates	3(b)	15,099	14,851	14,221
Vested Assets	4(b)	331	1,960	2,554
Financial Contributions	5	3,783	8,639	5,191
Finance Income	4(a)	468	1,475	1,778
Other Revenue	5	1,506	1,470	1,509
<b>Total Operating Revenue</b>	<b>2(a)</b>	<b>60,606</b>	<b>65,542</b>	<b>60,190</b>
<b>Expenditure</b>				
Other Expenses	7	30,148	25,345	26,349
Personnel Costs	6	11,240	10,858	10,334
Depreciation	14	14,016	12,632	13,721
Impairment of property, plant & equipment	14	1,044	-	-
Impairment of investment property	16	144	-	-
Amortisation	15	361	-	291
Finance Costs	4(a)	12,091	8,701	8,778
<b>Total Operating expenditure</b>	<b>2(b)</b>	<b>69,044</b>	<b>57,798</b>	<b>59,473</b>
				<b>717</b>
Share of Associates retained surplus	13	(55)	-	20
<b>Net Surplus (Deficit)</b>		<b>(8,493)</b>	<b>7,744</b>	<b>738</b>
<b>Other Comprehensive Income</b>				
Gains/(Losses) on asset revaluations	21d	85,673	-	(363)
<b>Total other comprehensive income for the year</b>		<b>85,673</b>	<b>-</b>	<b>(363)</b>
<b>Total comprehensive income for the year</b>		<b>77,180</b>	<b>7,744</b>	<b>376</b>

Explanations of major variances against budget are detailed in note 32.

The accompanying notes form part of these financial statements.

## Statement of Financial Position as at 30 June 2009

	Note	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
<b>Equity</b>				
Retained earnings	21a	702,124	724,754	709,147
Restricted reserves	21b	384	370	395
Council-created reserves	21c	13,098	16,097	14,558
Asset revaluation reserves	21d	233,114	147,818	147,441
<b>Total Equity</b>		<b>948,720</b>	<b>889,039</b>	<b>871,540</b>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	8	17,307	1,006	4
Debtors and other receivables	9	7,026	9,539	7,958
Non-current assets held for sale	12	1,046	-	1,263
Derivative financial instruments	10	-	-	2,241
Prepayments	9	-	-	125
<b>Total current assets</b>		<b>25,379</b>	<b>10,545</b>	<b>11,591</b>
<b>Non-current assets</b>				
Other Financial Assets	11	65	-	67
Investments in associates	13	188	367	243
Investment properties	16	706	850	850
Intangible Assets	15	2,233	755	2,594
Financial instruments	30(a)	4,147	3,881	3,820
Property, plant and equipment	14	1,060,976	1,018,675	965,938
<b>Total non-current assets</b>		<b>1,068,315</b>	<b>1,024,528</b>	<b>973,511</b>
<b>Total assets</b>		<b>1,093,694</b>	<b>1,035,073</b>	<b>985,103</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Bank overdraft	18	-	-	94
Creditors and other payables	17	10,588	9,506	10,675
Employee entitlements	19	1,140	1,300	1,319
Borrowings	18	14,000	17,000	24,600
Derivative financial instruments	10	2,271	-	-
Current portion provisions	20	1,324	2,156	1,276
<b>Total current liabilities</b>		<b>29,323</b>	<b>29,962</b>	<b>37,964</b>
<b>Non-current liabilities</b>				
Employee entitlements	19	42	120	36
Provisions	20	3,092	5,178	4,043
Borrowings	18	112,517	110,523	71,520
Financial contributions		-	250	-
<b>Total non-current liabilities</b>		<b>115,651</b>	<b>116,071</b>	<b>75,599</b>
<b>Total Liabilities</b>		<b>144,974</b>	<b>146,033</b>	<b>113,563</b>
<b>Net assets</b>		<b>948,720</b>	<b>889,039</b>	<b>871,540</b>

The accompanying notes form part of these financial statements.



**Ross Paterson**  
His Worship The Mayor  
Western Bay of Plenty District



**Glenn Snelgroye**  
Chief Executive Officer  
Western Bay of Plenty District Council

## Statement of Changes in Equity - year ended 30 June 2009

	Retained Earnings	Asset Revaluation Reserve	Council Reserves	Total Equity
<b>Balance at 1 July 2007</b>	706,879	147,818	16,467	871,164
Total comprehensive income for the year	2,268	(377)	(1,514)	376
<b>Balance at 30 June 2008</b>	<b>709,147</b>	<b>147,441</b>	<b>14,953</b>	<b>871,540</b>
Changes in Equity for 2009				
Total comprehensive income for the year	(7,023)	85,673	(1,471)	77,180
<b>Balance at 30 June 2009</b>	<b>702,124</b>	<b>233,114</b>	<b>13,482</b>	<b>948,720</b>

The accompanying notes form part of these financial statements.

## Statement of Cash Flows - year ended 30 June 2009

	Note	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
<b>Cash flows from operating activities</b>				
Receipts from rates revenue		42,045	40,170	37,856
Regional Council rates		3,441	2,500	3,159
Interest received		141	-	2,056
Dividends received		74	-	72
Receipts from other revenue		18,175	28,857	20,340
Payments to suppliers and employees		(44,290)	(33,859)	(35,513)
Interest paid		(6,341)	(6,790)	(7,421)
Regional Council rates		(3,441)	(2,500)	(3,159)
Goods and services tax (net)		(44)	-	(426)
<b>Net cash from operating activities</b>	22	<b>9,760</b>	<b>28,378</b>	<b>16,965</b>
<b>Cash flows from investing activities</b>				
Receipts from sale of property, plant and equipment		320	-	290
Purchase of property, plant and equipment		(23,081)	(34,890)	(25,076)
Financial instruments		-	-	(2,500)
Purchase of intangible assets		-	-	(2,980)
Acquisition of investments		-	-	17
<b>Net cash from investing activities</b>		<b>(22,760)</b>	<b>(34,890)</b>	<b>(30,249)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		112,357	12,000	29,697
Repayment of borrowings		(81,960)	(5,000)	(19,350)
<b>Net cash from financing activities</b>		<b>30,397</b>	<b>7,000</b>	<b>10,347</b>
Net (decrease)/increase in cash held		17,397	488	(2,937)
Cash, cash equivalents and bank overdrafts at the beginning of the year		(90)	2,707	2,846
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	8	<b>17,307</b>	<b>3,194</b>	<b>(90)</b>

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 22 for reconciliation from net surplus to cash flows from operating activities.

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# Notes to the Financial Statements

## 1 Statement of accounting policies - year ended 30 June 2009

### 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 2009. The financial statements were authorised for issue by Council on 24 September 2009.

### 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

*NZ IAS 1 – Presentation of Financial Statements* is effective for reporting periods beginning on, or after 1 January 2009. This revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a *statement of comprehensive income*. The purpose of this statement is to enable readers to analyse changes in equity resulting from non-Council changes separately from transactions with Council. Western Bay has the option of presenting items of income either in a single statement of comprehensive income with subtotals, or in two separate statements (an income statement followed by a statement of comprehensive

income). Western Bay has adopted NZ IAS 1 for the 2009 annual report and has prepared a single Statement of Comprehensive Income.

All 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 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. Western Bay has decided to postpone the adoption of this standard indefinitely as permitted under current NZ GAAP.

## **Significant accounting policies**

### **Associate entities**

An associate is an entity over which 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% ownership in Western Bay of Plenty Moana Rural Fire Authority and a 1/8<sup>th</sup> share in Bay of Plenty Local Authority Shared Services Limited (BOPLASS). The Council also has a 50% ownership 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 comprehensive income. 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, except to the extent that they are included in the Statement of Cashflows, 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 of Plenty District Council receives government grants from New Zealand Transport Agency (NZTA), which subsidises part of Western Bay of Plenty District Council'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.

### **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 Council are recognised as income when control over the asset is obtained.

### **Interest Income**

Interest income is recognised using the effective interest method.

### **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.

### **Dividends**

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

### **Financial contributions**

The Resource Management Act 1991 governs the legislation regarding the charging of 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.

### **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 Council's construction activities in general.

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

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**

Borrowing costs are recognised as an expense in the period in which they are incurred. The Council has not capitalised borrowing costs associated with funding capital works in progress, which represents a departure from NZ IAS 23: Borrowing Costs. However it is in line with the decision of the Accounting Standards Review Board to indefinitely defer the adoption of NZ IAS 23 for public benefit entities.

### **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**

Trade 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.

A provision for impairment of receivables is established when there is objective evidence that Western Bay will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted using the effective interest method.

### **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 comprehensive income. 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.

### **Financial assets**

Financial assets and liabilities are initially measured 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 comprehensive income.

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

Western Bay of Plenty District Council 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 (interest rate swaps).

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

### **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 comprehensive income.

### **Held to maturity investments**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Western Bay of Plenty District Council 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 comprehensive income.

Council does not currently hold any financial assets in this category.

### **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.

This category encompasses:

- investments that Western Bay of Plenty District Council intends to hold long-term but which may be realised before maturity; and
- shareholdings that Western Bay of Plenty District Council holds for strategic purposes.

Western Bay of Plenty District Council's investments in its associates 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 comprehensive income.

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

Investments in this category include shares held in New Zealand Local Government Insurance Corporation.

### **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 of Plenty District Council assess 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 comprehensive income.

### **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 comprehensive income. 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 instrument's carrying amount.

### **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 comprehensive income) is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive on equity investments are not reversed through the statement of comprehensive income.

## **Derivative financial instruments**

Western Bay of Plenty District Council uses derivative financial instruments (interest rate swaps) to hedge exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, the Western Bay of Plenty District Council 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 derivative financial instruments.

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

## **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 of Plenty District Council 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 comprehensive income.

There is no depreciation on investment properties.

## **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 the Western Bay of Plenty District Council, 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.

### **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 comprehensive income. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

- Computer software licenses are capitalised at historic cost and are amortised over their estimated useful lives on a straight line or diminishing value basis.
- Subdivision rights in relation to the joint purchase of land at Te Tumu, Papamoa by Tauranga City Council and Western Bay of Plenty District Council. This land was purchased with the condition of providing the vendor the option to acquire it sometime in the period from December 2016 to December 2026. This is amortised on a straight line basis over the 10 years.

Neither Council has any intention to develop this land or retain ownership long term.

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

## **Property, plant and equipment**

Property, plant and equipment consist of:

### **(a) 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.

### **(b) 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.

### **(c) Operational assets:**

These include land, buildings, landfill post closure, library books, plant and equipment, and motor vehicles.

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

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

## **Revaluation**

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 comprehensive income. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the statement of comprehensive income will be recognised first in the statement of comprehensive income up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Those asset classes that are revalued are valued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least on a three yearly valuation cycle. The carrying values of revalued assets are reviewed at each balance date 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.

Transportation assets including roads, bridges and footpaths were revalued at depreciated replacement cost at 1 July 2008 by Opus International Consultants Limited.

Water, wastewater and stormwater assets including reticulation, treatment plants, reservoirs and bores were revalued at depreciated replacement cost at 1 July 2008 by Maunsell/Aecom.

Land and buildings, excluding land under roads, were revalued at fair value at 1 July 2008 by Landmass Technology Limited. Land under roads was revalued at 30 June 2009 by Landmass Technology Ltd.

All other asset classes are carried at depreciated historical cost.

### **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 the Western Bay of Plenty District Council and the cost of the item can be measured reliably.

### **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 comprehensive income. 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	10 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
Other	5 to 70 years	Straight line
Formation (not depreciated)		

**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.

## **Impairment of property, plant and equipment and intangible assets**

Non-financial assets that have an indefinite useful life, or are 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 revalued 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 comprehensive income.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of comprehensive income.

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 comprehensive income, a reversal of the impairment loss is also recognised in the statement of comprehensive income.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the statement of comprehensive income.

## **Liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Council after deducting all of its liabilities.

## **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**

Interest-bearing bank loans and overdrafts are initially measured at their fair value net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest method.

Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis in the statement of comprehensive income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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 of Plenty District Council 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, but not yet taken at balance date, retiring and long-service leave entitlements expected to be settled within 12 months.

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 of Plenty District Council 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.

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".

### **Landfill Post-Closure Provision**

Council, as operator of the Te Puke and Athenree landfills, has a legal obligation under the resource consent to provide ongoing maintenance and monitoring services at the landfill sites after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including legal requirements and known improvements in technology. The provision includes all costs associated with landfills post-closure.

### **Performance Based Contract Provision (PBC Provision)**

The PBC contract is a roading contract between Opus International Consultants and the Western Bay of Plenty District Council for a fixed value (plus cost variations) over a 10 year period in return for the network being maintained to the required standard, which is measured by a number of Key Performance Indicators and Operational Performance Measures. In instances where the contractor has over-performed against key performance indicators, a provision is recognised, being the present value of future cash outflows expected to be incurred relating to capital works done in advance.

## Equity

Equity is the community's financial interest in the Western Bay of Plenty District Council as measured by the value of total assets less total liabilities. Equity is disaggregated and classified into a number of reserves to enable clearer identification of the uses Council makes of its accumulated surpluses. The components of equity are:

- retained earnings;
- restricted reserves;
- council created reserves
- asset revaluation 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 to and 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 31.

## 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.

## **Cost of Service Statements**

Council has derived the cost of service for each significant activity of Western Bay of Plenty District Council using the cost allocation system set out 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.

## **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.

## **Critical accounting estimates and assumptions**

In preparing these financial statements Western Bay of Plenty District Council 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 20 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 depreciated replacement cost 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 which 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 being 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 comprehensive income. 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 2009:

#### 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. As part of the 2009-19 LTCCP process Council resolved to retain pensioner housing as an activity within Council. The property is accounted for as property, plant and equipment.

## 2 Summary cost of services

	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
<b>2(a) Total Operating Revenue</b>			
Significant activities			
Representation	2,614	2,684	2,581
Sustainable Development	2,764	2,744	2,324
Communities	3,370	3,485	3,274
Recreation & Leisure	5,482	7,378	5,243
Regulatory	4,536	4,557	4,588
Transportation	21,809	23,173	21,769
Water Supply	6,283	7,007	6,929
Stormwater	2,593	2,922	2,664
Natural Environment	256	265	272
Wastewater	6,258	7,131	5,857
Solid Waste	842	909	883
Economic	1,036	1,025	1,034
Council Services	2,763	2,262	2,772
<b>Total operating revenue by activity</b>	<b>60,606</b>	<b>65,542</b>	<b>60,190</b>

## 2(b) Total Operating Expenditure

Significant activities			
Representation	2,384	2,595	2,432
Sustainable Development	3,524	2,844	2,833
Communities	3,299	3,352	3,370
Recreation & Leisure	3,325	3,641	2,820
Regulatory	4,838	4,556	4,765
Transportation	19,630	15,330	17,970
Water Supply	8,508	8,235	8,032
Stormwater	3,025	3,344	2,611
Natural Environment	360	246	277
Wastewater	9,582	10,070	9,912
Solid Waste	952	936	838
Economic	818	870	918
Council Services	8,799	1,779	2,694
<b>Total operating expenditure by activity</b>	<b>69,044</b>	<b>57,798</b>	<b>59,473</b>

## 2(c) Revenue from activities

	<b>Actual 2009 \$000</b>	<b>Budget 2009 \$000</b>	<b>Actual 2008 \$000</b>
Representation	11	-	63
Sustainable Development	70	-	27
Communities	451	497	509
Recreation & Leisure	1,144	854	310
Regulatory	3,426	3,623	3,401
Transportation	6,716	6,466	6,796
Water Supply	1,693	1,599	1,862
Stormwater	95	94	(53)
Natural Environment	-	-	-
Wastewater	149	149	98
Solid Waste	27	23	24
Economic	3	-	2
Council Services	(379)	(1,534)	(1,911)
<b>Total revenue from significant activities</b>	<b>13,405</b>	<b>11,771</b>	<b>11,126</b>

### Total revenue from significant activities includes:

User charges	5,255	5,313	5,343
NZ Transport Agency Subsidy	6,080	5,554	5,974

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

## 3 Rates revenue

### 3(a) General rate income

	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
Representation	596	597	579
Sustainable Development	197	197	65
Recreation & Leisure	161	161	150
Transportation	14,002	13,538	12,703
Natural Environment	30	30	15
Wastewater	250	250	121
Solid Waste	452	513	458
Council Services	10,326	10,090	9,720
<b>Total separate rates</b>	<b>26,014</b>	<b>25,376</b>	<b>23,810</b>

### 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 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
Sustainable Development	209	210	77
Communities	985	928	915
Recreation & Leisure	284	277	282
Transportation	92	83	93
Water Supply	4,250	4,278	3,996
Stormwater	2,160	2,111	1,754
Natural Environment	45	30	30
Wastewater	5,746	5,653	5,345
Solid Waste	807	878	852
Economic	411	403	388
Council Services	110	-	489
<b>Total separate rates</b>	<b>15,099</b>	<b>14,851</b>	<b>14,221</b>
<b>Total rates</b>	<b>41,113</b>	<b>40,277</b>	<b>38,031</b>

### 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 2009 \$000	Actual 2008 \$000
Finance income		
Interest income	458	526
Rates postponement scheme	10	14
Interest rate swap premium	-	1,238
<b>Total finance income</b>	<b>468</b>	<b>1,778</b>
Finance costs		
Interest expense:		
- unrealised hedge	4,511	1,331
- interest on bank borrowings	7,129	7,447
- Interest rate swap expense	451	-
<b>Total finance costs</b>	<b>12,091</b>	<b>8,778</b>
<b>Net finance income/(costs)</b>	<b>(11,623)</b>	<b>(7,000)</b>

## 4(b) Vested assets

	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
<b>Revenue</b>			
Significant activities			
Transportation	122	1,600	1,427
Water Supply	20	150	340
Stormwater	124	-	582
Wastewater	65	210	206
<b>Total significant activities</b>	<b>331</b>	<b>1,960</b>	<b>2,554</b>

## 5 Other revenue

	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
Rental income	1,035	1,013	964
Infringements and fines	25	20	21
Petrol tax	372	396	452
Dividend income	74	41	72
<b>Total other revenue</b>	<b>1,506</b>	<b>1,470</b>	<b>1,509</b>
<b>Financial contributions</b>			
Sustainable Development	-	50	-
Communities	-	122	31
Recreation & Leisure	1,458	3,653	2,286
Transportation	1,212	1,687	1,422
Water Supply	308	968	686
Stormwater	290	792	328
Natural Environment	75	99	109
Wastewater	440	1,268	330
<b>Total revenue from financial contributions</b>	<b>3,783</b>	<b>8,639</b>	<b>5,191</b>

## 6 Personnel costs

	Actual 2009 \$000	Actual 2008 \$000
Salaries and wages	11,187	10,278
Employer contributions to multi-employer defined benefit plans	78	56
Increase/(decrease) in employee entitlements/liabilities	(25)	-
<b>Total personnel costs</b>	<b>11,240</b>	<b>10,334</b>

Council's total Kiwisaver contributions to 30 June 2009 were \$32,307 (2008: \$11,157).

## 7 Other expenses

	Actual 2009 \$000	Actual 2008 \$000
Fees to principal auditor:		
- audit fees for financial statement audit	96	78
- audit fees for LTCCP	89	8
Insurance premiums	269	280
Consultants and legal fees	1,493	1,790
Impairment of receivables (Note 9)	1,017	893
Loss on sale of property plant and equipment	78	55
Minimum lease payments under operating leases	75	105
Other operating expenses	27,031	23,140
<b>Total other expenses</b>	<b>30,148</b>	<b>26,349</b>

## 8 Cash and cash equivalents

	Actual 2009 \$000	Actual 2008 \$000
Cash at bank and on hand	4,307	4
Term deposits with maturities less than 3 months	13,000	-
<b>Total cash and cash equivalents</b>	<b>17,307</b>	<b>4</b>

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 2009 \$000	Actual 2008 \$000
Cash at bank and on hand	4,307	
Term deposits with maturities less than 3 months	13,000	-
Bank overdrafts (note 18)	-	(94)
<b>Total cash and cash equivalents</b>	<b>17,307</b>	<b>(94)</b>

## Interest rates

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

	<b>2009</b>	<b>2008</b>
Short-term deposits	2.8%	N/A

## 9 Debtors and other receivables

	<b>Actual 2009 \$000</b>	<b>Actual 2008 \$000</b>
Rates debtors	6,477	5,608
Metered water debtors	748	1,440
Other trade debtors	1,765	1,734
Sundry debtors	1,831	2,461
	<b>10,821</b>	<b>11,243</b>
Less provision for impairment of receivables	3,795	3,285
	<b>7,026</b>	<b>7,958</b>
Prepayments	-	125
	<b>7,026</b>	<b>8,083</b>

## 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 (2008 \$Nil).

The status of receivables as at 30 June 2009 and 2008 are detailed below:

	2009			2008		
	Gross Impairment		Net	Gross Impairment		Net
	\$000	\$000	\$000	\$000	\$000	\$000
Not past due	7,098	581	6,517	7,807	510	7,297
Past due 1-2 years	1,069	895	174	1,094	709	386
Past due 2-3 years	866	683	183	766	602	165
Past due > 3 years	1,788	1,636	152	1,575	1,465	111
<b>Total</b>	<b>10,821</b>	<b>3,795</b>	<b>7,026</b>	<b>11,243</b>	<b>3,285</b>	<b>7,958</b>

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:

	2009	2008
	\$000	\$000
Individual impairment	1,002	521
Collective impairment	2,793	2,764
<b>Total provision for impairment</b>	<b>3,795</b>	<b>3,285</b>

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:

	2009	2008
	\$000	\$000
Past due 30-59 days	187	-
Past due 60-89 days	-	-
Past due > 90 days	815	521
<b>Total individual impairment</b>	<b>1,002</b>	<b>521</b>

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

	Actual	Actual
	2009	2008
	\$000	\$000
As at 1 July	3,285	3,117
Additional provisions made during the year	1,527	1,061
Provisions reversed during the year	-	-
Receivables written off during the year	(1,017)	(893)
<b>At 30 June</b>	<b>3,795</b>	<b>3,285</b>

## 10 Derivative financial instruments

	Actual 2009 \$000	Actual 2008 \$000
<b>Current portion</b>		
Interest rate swaps – fair value hedges	(2,271)	2,241
<b>Total derivative financial instruments</b>	<b>(2,271)</b>	<b>2,241</b>

### 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 current outstanding interest rate swap contracts for the Council were \$120m (2008: \$66m). At 30 June 2009, the fixed interest rates of cash flow hedge interest rate swaps vary from 4.19% to 6.84% (2008: 5.73% to 6.79%).

Unrealised gains and losses recognised on interest rate swap contracts as at 30 June 2009 are released to the Statement of comprehensive income as interest is paid on the underlying debt.

## 11 Other financial assets

	Actual 2009 \$000	Actual 2008 \$000
<b>Current portion</b>	-	-
Total current portion	-	-
<b>Non-current portion</b>		
NZ Local Government Insurance Company Limited 16,142 shares (no change from 2008) of \$3.01 each	49	48
Zespri Group Limited 3,532 shares (no change from 2008) with a market value as at 30 June 2009 of \$4.60 per share	16	19
<b>Total non-current portion</b>	<b>65</b>	<b>67</b>
<b>Total other financial assets</b>	<b>65</b>	<b>67</b>

## 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 2009.

### 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.

## 12 Non-current assets held for sale

The Western Bay owned buildings on Prole Road and Anderley Ave were classified as held for sale following the approval by Council to sell the premises in 2008. The Council approved the sale of the properties as they will provide no future use to Western Bay. At 30 June 2009 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.

	<b>Actual 2009 \$000</b>	<b>Actual 2008 \$000</b>
Non-current assets held for sale are:		
- land	1,046	1,263
<b>Total non-current asset held for sale</b>	<b>1,046</b>	<b>1,263</b>

## 13 Investments in associates

<b>Share in Associates</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Western Bay Moana Rural Fire Authority (50%)	78	75
Western Bay of Plenty Tourism and Visitors Trust (50%)	110	168
BoP LASS Ltd (12.5%)	-	-
	<b>188</b>	<b>243</b>

<b>Western Bay of Plenty Moana Rural Fire Authority</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Assets	164	161
Liabilities	12	10
Revenues	171	170
Surplus / (deficit)	8	6
<b>Western Bay's % interest</b>	<b>50.0%</b>	<b>50.0%</b>

<b>Western Bay of Plenty Tourism and Visitors' Trust</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Assets	507	704
Liabilities	286	369
Revenues	1,685	1,935
Surplus / (deficit)	(115)	36
<b>Western Bay's % interest</b>	<b>50.0%</b>	<b>50.0%</b>

<b>BOPLASS Limited</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Assets	15	26
Liabilities	19	24
Revenues	53	50
Surplus / (deficit)	(5)	(6)
<b>Western Bay's % interest</b>	<b>12.5%</b>	<b>12.5%</b>

Balance date of all associates is 30 June.

## 14 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

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Property plant and equipment	1,060,976	965,938
Intangible assets	2,233	2,594
Property assets held for sale	1,046	1,263
	<b>1,064,255</b>	<b>969,795</b>

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.

2009

	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	Revaluation (Depn)	Cost / Revaluation	Accumulated depreciation and impairment charges	Carrying amount
	30-Jun-08	30-Jun-08	30-Jun-08								30-Jun-09	30-Jun-09	30-Jun-09
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Council operational assets</b>													
Buildings	12,666	(396)	12,269	40	0	0	0	(206)	(25)	(396)	12,285	(206)	12,079
Coastal marine structures	1,889	(115)	1,774	275	0	0	0	(39)	212	(115)	2,261	(39)	2,221
Land	36,477	0	36,477	623	0	0	0	0	(772)	0	36,328	0	36,328
Library books	1,447	(416)	1,031	258	0	0	0	(256)	0	0	1,705	(672)	1,033
Mobile plant and vehicles	1,500	(525)	974	584	(461)	188	0	(208)	0	0	1,623	(545)	1,078
Office furniture and equipment	4,057	(2,584)	1,472	21	0	0	0	(310)	0	0	4,078	(2,895)	1,183
Other plant	262	(193)	69	37	0	0	0	(15)	0	0	299	(208)	91
Work in progress	21	0	21	0	0	0	0	0	0	0	21	0	21
<b>Total operational assets</b>	<b>58,319</b>	<b>(4,230)</b>	<b>54,089</b>	<b>1,838</b>	<b>(461)</b>	<b>188</b>	<b>0</b>	<b>(1,035)</b>	<b>(585)</b>	<b>(511)</b>	<b>58,600</b>	<b>(4,566)</b>	<b>54,034</b>
<b>Council infrastructural assets</b>													
Buildings	1,838	(60)	1,778	53	0	0	0	(37)	(358)	(60)	1,473	(37)	1,436
Land	20,612	0	20,612	1,009	(7)	0	217	0	(4,664)	0	17,167	0	17,167
Land under roads	178,810	0	178,810	28	(285)	0	0	0	10,278	0	188,830	0	188,830
Roading - other	33,464	(1,263)	32,201	3,154	0	0	0	(1,396)	4,247	(1,263)	39,603	(1,396)	38,207
Roading - surfaces & carriageway	361,328	(4,971)	356,357	11,859	0	0	0	(5,505)	55,015	(4,971)	423,231	(5,505)	417,727
Stormwater	44,881	(1,249)	43,633	2,882	0	0	0	(816)	4,660	(1,249)	51,175	(816)	50,359
Water	70,763	(4,129)	66,634	2,145	0	0	0	(2,436)	7,936	(4,129)	76,714	(2,436)	74,279
Wastewater	90,882	(4,577)	86,304	788	0	0	0	(2,432)	4,564	(4,577)	91,656	(2,432)	89,224
Work in progress	7,435	0	7,435	324	0	0	0	0	0	0	7,759	0	7,759
<b>Total infrastructural assets</b>	<b>810,014</b>	<b>(16,249)</b>	<b>793,765</b>	<b>22,241</b>	<b>(292)</b>	<b>0</b>	<b>217</b>	<b>(12,621)</b>	<b>81,678</b>	<b>(16,249)</b>	<b>897,609</b>	<b>(12,621)</b>	<b>884,988</b>
<b>Council restricted assets</b>													
Buildings	10,190	(828)	9,362	158	(77)	0	0	(360)	(579)	(828)	8,863	(360)	8,503
Land	103,178	0	103,178	561	0	0	0	0	4,166	0	107,904	0	107,904
Work in progress	5,547	0	5,547	0	0	0	0	0	0	0	5,547	0	5,547
<b>Total infrastructural assets</b>	<b>118,915</b>	<b>(828)</b>	<b>118,087</b>	<b>718</b>	<b>(77)</b>	<b>0</b>	<b>0</b>	<b>(360)</b>	<b>3,587</b>	<b>(828)</b>	<b>122,314</b>	<b>(360)</b>	<b>121,954</b>
<b>Total WBOPDC property, plant and equipment</b>	<b>987,248</b>	<b>(21,308)</b>	<b>965,941</b>	<b>24,797</b>	<b>(831)</b>	<b>188</b>	<b>217</b>	<b>(14,016)</b>	<b>84,680</b>	<b>(17,589)</b>	<b>1,078,523</b>	<b>(17,547)</b>	<b>1,060,976</b>

WBOPDC has provided additional disclosure around land & buildings in order to better reflect the allocation of the assets held by Council. As per WBOPDC accounting policies revaluations are performed on a class by class basis, this is consistent with NZ IAS 16.

Below are the summarised totals of the Land and Buildings classes:

Land	160,267	0	160,267	2,192	(7)	0	217	0	(1,270)	0	161,400	0	161,400
Buildings	24,694	(1,284)	23,410	251	(77)	0	0	(603)	(962)	(1,284)	22,621	(603)	22,018

2008

	Cost / Revaluation 30-Jun-07 \$000	Accumulated depreciation and impairment charges 30-Jun-07 \$000	Carrying amount 30-Jun-07 \$000	Current year capital expenditure \$000	Current year disposals \$000	Current year disposals deprn adj \$000	Transfers \$000	Current year depreciation & amortisation \$000	Revaluation \$000	Cost / Revaluation 30-Jun-08 \$000	Accumulated depreciation and impairment charges 30-Jun-08 \$000	Carrying amount 30-Jun-08 \$000
<b>Council operational assets</b>												
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
<b>Total operational assets</b>	<b>58,833</b>	<b>(3,308)</b>	<b>55,525</b>	<b>(344)</b>	<b>(171)</b>	<b>61</b>	<b>1,143</b>	<b>(983)</b>	<b>0</b>	<b>58,319</b>	<b>(4,230)</b>	<b>54,089</b>
<b>Council infrastructural assets</b>												
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
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
<b>Total infrastructural assets</b>	<b>795,311</b>	<b>(10,125)</b>	<b>785,186</b>	<b>22,545</b>	<b>0</b>	<b>0</b>	<b>(1,263)</b>	<b>(12,423)</b>	<b>(280)</b>	<b>810,014</b>	<b>(16,249)</b>	<b>793,765</b>
<b>Council restricted assets</b>												
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
<b>Total infrastructural assets</b>	<b>113,459</b>	<b>(512)</b>	<b>112,947</b>	<b>5,456</b>	<b>0</b>	<b>0</b>	<b>(1,143)</b>	<b>(316)</b>	<b>0</b>	<b>118,915</b>	<b>(828)</b>	<b>118,087</b>
<b>Total WBOPDC property, plant and equipment</b>	<b>967,603</b>	<b>(13,945)</b>	<b>953,658</b>	<b>27,657</b>	<b>(171)</b>	<b>61</b>	<b>(1,263)</b>	<b>(13,721)</b>	<b>(280)</b>	<b>987,248</b>	<b>(21,308)</b>	<b>965,938</b>

WBOPDC has provided additional disclosure around land & buildings in order to better reflect the allocation of the assets held by Council. As per WBOPDC accounting policies revaluations are performed on a class by class basis, this is consistent with NZ IAS 16.

Below are the summarised totals of the Land and Buildings classes:

Land	157,353	0	157,353	4,177	0	0	(1,263)	0	0	160,267	0	160,267
Buildings	22,988	(803)	22,185	1,706	0	0	(1,143)	(482)	0	24,694	(1,284)	23,410

## 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 2008.

### 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 2008.

#### Sewerage and stormwater

At fair value determined on a depreciated replacement cost basis by an independent valuer. The most recent valuation was performed Maunsell Ltd, and the valuation is effective as at 1 July 2008.

#### Water

At fair value determined on a depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Maunsell Ltd and the valuation is effective as at 1 July 2008.

#### 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 2008.

#### Land under roads

Land under roads was valued based on average land values of the comparable surrounding land 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 has been re-valued by Landmass Technology Ltd as at 30 June 2009.

### 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 comprehensive income 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

	2009 \$000	2008 \$000
Opus Valuers	447,821	385,747
Landmass Technology Ltd	384,742	-
Maunsell Ltd	214,696	-
	1,047,259	385,747

## Work in progress

The total amount of property, plant and equipment in the course of construction is \$13 million (2008: \$13 million).

## Impairment

From the revaluations performed an impairment loss of \$1.04m has been recognised by the Western Bay of District Council in relation to Buildings. (2008 \$Nil). There were no other impairments or indicators of impairments identified as at 30 June 2009.

## 15 Intangible assets

	Computer Software		Resource Consent		Property Subdivision Rights		Total	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Balance at 1 July</b>								
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			132	132	-	-	132	132
Opening carrying amount	638	623	566	590	1,389	772	2,594	1,985
<b>Year ended 30 June</b>								
Additions	-	156	-	-	-	744	-	900
Amortisation charge	(127)	(141)	(35)	(24)	(199)	(126)	(361)	(291)
Closing carrying amount	511	638	531	566	1,190	1,389	2,233	2,594
<b>Balance as 30 June</b>								
Cost	1,882	1,882	482	482	1,530	1,530	3,894	3,894
Accumulated amortisation and impairment	(1,371)	(1,244)	(83)	(48)	(340)	(141)	(1,794)	(1,432)
	511	638	399	434	1,190	1,389	2,100	2,462
Work in progress	-	-	133	132	-	-	133	132
<b>Closing carrying amount</b>	<b>511</b>	<b>638</b>	<b>532</b>	<b>566</b>	<b>1,190</b>	<b>1,389</b>	<b>2,233</b>	<b>2,594</b>

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 30(a).

## 16 Investment property

	<b>Actual 2009 \$000</b>	<b>Actual 2008 \$000</b>
At cost	432	432
Revaluations brought forward	418	422
Current year revaluations	(144)	(4)
<b>At net current value</b>	<b>706</b>	<b>850</b>

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 Landmass Technology Ltd. Garth D Laing is an experienced valuer with extensive market knowledge in the types of investment properties owned by Western Bay.

	<b>2009 \$000</b>	<b>2008 \$000</b>
Rental income	310	200
Expenses from investment property generating income	(2,448)	(1,179)
Expenses from investment property not generating income	(72)	(486)

## 17 Trade and other payables

	<b>2009 \$000</b>	<b>2008 \$000</b>
Trade payables	8,392	8,800
Deposits and bonds	1,074	1,062
Environment Bay of Plenty rates	239	167
Amounts due to related parties	-	-
Rates in advance	1,334	1,304
Other income in advance	106	108
GST payable/(refund)	(1,078)	(1,034)
Sundry payables	521	268
<b>Total creditors and other payables</b>	<b>10,588</b>	<b>10,675</b>

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.

## 18 Borrowings

### 18(a) Current

	Actual 2009 \$000	Actual 2008 \$000
Bank overdraft	-	94
Secured loans fixed	-	5,000
Secured loans floating	14,000	19,600
<b>Total current secured loans</b>	<b>14,000</b>	<b>24,600</b>
<b>Total current borrowings</b>	<b>14,000</b>	<b>24,694</b>

### 18(b) Non-current

	Actual 2009 \$000	Actual 2008 \$000
Secured loans fixed	7,500	-
Secured loans floating	105,017	71,520
	<b>112,517</b>	<b>71,520</b>
<b>Total public debt</b>	<b>126,517</b>	<b>96,214</b>

Western Bay has secured debt of \$120.017 million (2008: \$76.520 million) issued at fixed rates of interest.

Western Bay's secured floating debt of \$14 million (2008: \$19.6 million) is issued at a margin of between 6bps and 210bps (2008: 0.10bps) above BKBM.

### 18(c) Security

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

### 18(d) Repayment Terms

The following is a maturity analysis of total public debt

	Actual 2009 \$000	Actual 2008 \$000
Payable no later than one year	-	5,094
<i>Weighted average interest rate</i>	-	6.39%
Payable no later than one year	14,000	19,600
<i>Weighted average interest rate</i>	5.83%	8.44%
later than one, not later than five years	91,500	37,002
<i>Weighted average interest rate</i>	6.82%	6.29%
Later than five years	21,017	34,517
<i>Weighted average interest rate</i>	6.23%	6.78%

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126,517      96,214

### 18(e) Fair values of non current borrowings

	Carrying Amounts 2009	Carrying Amounts 2008	Fair Values 2009	Fair Values 2008
	\$000	\$000	\$000	\$000
Secured loans	112,517	71,520	115,227	73,471
<b>Total</b>	<b>112,517</b>	<b>71,520</b>	<b>115,227</b>	<b>73,471</b>

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.

### 18(f) Interest Rates

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

	Actual 2009 %	Actual 2008 %
Secured loans and debentures	6.01%	7.49%

### 18(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 Borrowing Management Policy. These policies have been adopted as part of the Long Term Council Community Plan.

#### Debentures

Western Bay's secured debt of \$126.5 million (2008 \$96.1 million) 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 0.06% to 2.10% margin for credit risk.

#### Security

The overdraft facility is secured. The maximum amount that can be drawn down against the overdraft facility is \$600,000 (2008: \$600,000). There are no restrictions on the use of this facility.

## 19 Employee entitlements

	Actual 2009 \$000	Actual 2008 \$000
Accrued pay	62	274
Annual leave & accrued entitlements	1,078	1,019
Sick leave	-	25
Retirement gratuities	42	36
	1,182	1,355
Made up of:		
Current	1,140	1,319
Non-current	42	36
<b>Total Employee Entitlements</b>	<b>1,182</b>	<b>1,355</b>

## 20 Provisions

	Actual 2009 \$000	Actual 2008 \$000
<b>Current portion</b>		
Landfill aftercare provision	6	6
Weathertight Homes Resolution Service	55	55
Performance Based Contract provision - InRoads	1,263	1,215
<b>Total current portion</b>	<b>1,324</b>	<b>1,276</b>
<b>Non current portion</b>		
Landfill aftercare provision	411	417
Performance Based Contract provision - InRoads	2,681	3,626
<b>Total non current portion</b>	<b>3,092</b>	<b>4,043</b>
<b>Total provisions</b>	<b>4,416</b>	<b>5,319</b>

Movements for each class of provision are as follows:

	Landfill \$000	Weathertight Homes \$000	PBC Contract \$000	Total \$000
<b>2008</b>				
Balance at 1 July 2007	429	55	4,754	5,238
Additional provisions made	-	-	750	750
Amounts used	(6)	-	(96)	(102)
Discount unwinding	-	-	(567)	(567)
<b>Balance at 30 June 2008</b>	<b>423</b>	<b>55</b>	<b>4,841</b>	<b>5,319</b>
<b>2009</b>				
Balance at 1 July 2008	423	55	4,841	5,319
Additional provisions	-	-	-	-
Amounts used	(6)	-	(577)	(583)
Discount unwinding	-	-	(320)	(320)
<b>Balance at 30 June 2009</b>	<b>417</b>	<b>55</b>	<b>3,944</b>	<b>4,416</b>

### Landfill aftercare costs

Western Bay of Plenty District Council gained resource consents to operate the Te Puke and Athenree landfills. Western Bay of Plenty District Council has a 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 \$0.49 million (2008: \$0.51 million) and for post closure of Te Puke of \$0.39 million (2008: \$0.41 million) over the remaining life (Athenree 26 years, Te Puke 23 years) of the resource consents. This liability has been discounted back to a current value of \$0.42 million (2008 \$0.42 million) using a discount rate of 7% (2008: 7%).

Te Puke remaining post closure costs \$0.39 million over 23 years.

Athenree remaining post closure costs \$0.49 million over 26 years.

Liability discounted back to \$0.42 million 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 In<sup>3</sup>Roads.

The balance of the seal extension liability was \$4.264 million as at 30 June 2009 (2008: \$5.407 million). The liability is discounted back to \$3.944 million (2008: \$4.841 million) using a discount rate of 7% (2008: 7%).

## 21 Equity

### 21(a) Retained earnings

	Actual 2009 \$000	Actual 2008 \$000
Opening balance	709,147	706,879
Surplus (deficit)	(8,493)	738
	700,654	707,617
Transfers to:		
Restricted reserves	(11)	(31)
Council created reserves	(3,053)	(3,651)
	(3,064)	(3,682)
Transfers from:		
Restricted reserves	22	5
Council created reserves	4,513	5,190
Asset revaluation reserve	-	15
Reclassification of liabilities to reserves	-	-
	4,535	5,211
<b>Closing balance</b>	<b>702,124</b>	<b>709,147</b>

### 21(b) Restricted Reserves

	Actual 2009 \$000	Actual 2008 \$000
Opening balance	395	370
Transfers to:		
Council created reserves	-	-
Accumulated funds	(22)	(5)
	(22)	(5)
Transfers from:		
Accumulated funds	11	31
<b>Closing balance</b>	<b>384</b>	<b>395</b>

### 21(c) Council-created reserves

	Actual 2009 \$000	Actual 2008 \$000
Opening balance	14,558	16,097
Transfers to:		
Restricted reserves	-	-
Accumulated funds	(4,513)	5,190
	(4,513)	5,190
Transfers from:		
Restricted reserves	-	-
Accumulated funds	3,053	3,651
	2,946	3,651
<b>Closing balance</b>	<b>13,098</b>	<b>14,558</b>

## 21(d) General Asset Revaluation Reserve

	Actual 2009 \$000	Actual 2008 \$000
Opening balance	147,441	147,818
Change in asset value	85,673	(377)
<b>Closing balance</b>	<b>233,114</b>	<b>147,441</b>
Comprising		
Land	17,466	18,367
Buildings	101	130
Water	21,904	13,967
Roading	155,876	86,621
Wastewater	22,450	17,911
Stormwater	14,683	10,023
Coastal marine structures	363	152
Library books	270	270
<b>Total asset revaluation reserve</b>	<b>233,114</b>	<b>147,441</b>

### Asset revaluation reserves

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

	Actual 2009 \$000	Actual 2008 \$000
Infrastructural:		
Land	(1,892)	2,344
Water	21,905	13,967
Road Reserves	57,002	47,010
Road Surface	93,464	38,449
Other Roding	5,410	1,162
Wastewater	22,450	17,911
Stormwater	14,683	10,023
Operational Assets:		
Land	3,887	4,873
Buildings	101	130
Coastal Marine	363	152
Library Books	270	270
Restricted Assets:		
Land	15,471	11,150
<b>Total general asset revaluation reserve</b>	<b>233,114</b>	<b>147,441</b>

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.

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

	Actual 2009 \$000	Actual 2008 \$000
<b>Net (Deficit)/Surplus</b>	(8,493)	738
Associated Entity (Deficit)/Surpluses	55	(20)
<b>Add (less) non-cash items</b>		
Depreciation and amortisation	14,377	14,012
Vested assets	(331)	(2,554)
Loss on sale of assets	78	54
Landfill aftercare provision	(6)	(6)
PBC liability movement	(897)	87
Unrealised interest	(327)	-
Employee Expenses	(179)	19
Unrealised Hedging Movement	4,511	1,331
<b>Add (less) movements in working capital items:</b>		
Accounts receivable	1,057	1,322
Accounts payable	(87)	2,034
Provisions and other liabilities	-	(55)
<b>Add (less) items classified as investing activities</b>		
Revaluation of shares	2	3
<b>Net cash inflow (outflow) from operating activities</b>	8	9,760
		16,965

## 23 Capital commitments and operating leases

	2009 \$000	2008 \$000
Property, plant and equipment	3,253	6,732
<b>Total capital commitments</b>	<b>3,253</b>	<b>6,732</b>

### 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:

	2009 \$000	2008 \$000
Not later than one year	65	66
Later than one year and not later than two years	65	65
Later than two years and no later than five years	11	76
<b>Total non-cancellable operating leases</b>	<b>141</b>	<b>207</b>

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 comprehensive income during the period.

### **Other Commitments - Performance Based Roading 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 \$125 million and as of June 2009 \$33.3 million (2008: \$51.9 million) remained committed on this contract for the remaining three 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 provided in the first five years for substantial capital works to be undertaken. This reduces the risk to Council.

1 July 2009 marks the commencement of the final year of current contractual arrangements with CPG NZ Ltd (formerly Duffill Watts Consulting Group) in terms of the Professional Services Provider.

CPG currently provide the operational staff for the day to day business of the Utilities operation including the design and implementation of capital works contained within the LTCCP.

The Asset Management tasks have been progressively undertaken by an in-house Utilities team during the 08/09 financial year.

The contract value of CPG's fee as of June 09 is \$2 million (2008: \$8 million).

## **24 Contingencies**

### **Contingent liabilities**

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Building Act claims	35	35
Financial guarantees	nil	nil
Other legal proceedings	110	-
<b>Total contingent liabilities</b>	<b>145</b>	<b>35</b>

## **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 (2008: \$35k) had been brought to the Western Bay's attention.

### **Unquantified claims**

There was one additional claim lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2009 (2008: three claims). These claims relate to weather tightness issues of homes in the Western Bay of Plenty area and name Western Bay of Plenty District Council 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 its 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, subject to an excess of \$50,000. As a result only \$50,000 has been recognised as a contingent liability.

There are also potential liabilities relating to historical land purchases by Council, the maximum estimated exposure is \$60,000.

### **Share of associate's contingent liabilities**

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

### **GST Returns**

Council identified an issue with the GST return in the latter part of the 2008 year. This was due to a system error and Western Bay is reviewing all calculations from July 2005 to June 2008. During the year Council engaged Toovey Eaton & McDonald Limited to assist with this issue. The IRD were advised of the issue and have placed the Council in a hold position in relation to GST. The current GST position represents the net receivable, however until the issue is resolved the exact balance is uncertain but is expected to be a net receivable. A resolution is expected in the 2010 financial year.

## **25 Prior year adjustments**

There were no prior year adjustments to the 2009 financial statements.

## 26 Related party transactions

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

### Related party transactions with associates

	2009	2008
<b>Western Bay of Plenty Moana Rural Fire Authority</b>		
Services provided by Western Bay	220	93
<b>Western Bay of Plenty Tourism and Visitors Trust</b>		
Accounts receivable from Western Bay	-	151
<b>BOPLASS Limited</b>		
Services provided to Western Bay	11,145	-

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 2009 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 a 1/8<sup>th</sup> 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.

During 2009 BOPLASS incorporated a subsidiary, Bay Broadband Limited. Its purpose is to facilitate and promote the development of broadband capability and reach in the Bay of Plenty. Council have no direct transactions with Bay Broadband.

Western Bay of Plenty District Council's Chief Executive, Glenn Snelgrove and Group Manager Finance and Corporate Development, Miriam Taris are both directors of Bay Broadband 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 contracted with Te Puke Engineering Limited, of which Councillor Paul Thomas is a director. The value of the contract works totalled \$465 (2008: \$Nil) and was negotiated on normal commercial terms. There is no balance outstanding at year-end (2008: \$Nil).

During the year Western Bay purchased services from Coastal Maintenance NZ Ltd, a maintenance firm, of which former Community Board Member Peter Rae is a partner. These services cost \$6,278 (2008: \$10,137) and were supplied on normal commercial terms. There is no balance outstanding for unpaid invoices at year-end (2008: \$nil).

During the year Western Bay purchased services from John Doggett, a repairs and maintenance firm, of which Community Board Chair John Doggett is a partner. These services cost \$2,214 (2008: \$9,842) and were supplied on normal commercial terms. There is no balance outstanding for unpaid invoices at year-end (2008: \$nil).

During the year Western Bay contracted with Michael Mills Consultant, of which Michael Mills (partner of GM Policy & Planning) is a partner. The value of the contract works totalled \$540 (2008: \$24,750) and was negotiated on normal commercial terms. There is no balance outstanding at year-end (2008: \$Nil).

During the year Western Bay contracted with Mondo Cherrywood (formerly Cherrywood United Travel, of which Cherie Snelgrove (wife of Western Bay CEO) is a shareholder. The value of the contract works totalled \$4,186 (2008: \$5,792) and was negotiated on normal commercial terms. There is no balance outstanding at year-end (2008: \$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 (2008: \$nil).

## Key management personnel compensation

	Actual 2009 \$000	Actual 2008 \$000
Salaries and other short term employee benefits	938	977
Termination benefits	-	70
<b>Total key management personnel compensation</b>	<b>938</b>	<b>1,047</b>

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

## Council Controlled Organisation

### Bay of Plenty Local Authority Shared Services Limited (BoPLASS Ltd)

The Council Controlled Organisation was formally established in January 2008. The company was set up by the eight local authorities in the Bay of Plenty region to foster collaboration between Councils in the delivery of services particularly back office or support services.

As a Council Controlled Organisation, the Bay of Plenty Local Authority Shared Services (BoPLass) is a separate legal entity from Council and is responsible for delivery in accordance with an agreed Statement of Intent. The company is governed by a Board of Directors who are the Chief Executives of the constituent local authorities.

### Financial Performance for the year ended 30 June 2009.

Parent 2007/08 \$000s	Consolidated 2007/08 \$000s		Parent 2008/09 \$000s	Consolidated 2008/09 \$000s
38	38	Revenue	180	191
(43)	(43)	Expenditure	(212)	(228)
(5)	(5)	(Deficit)/Surplus	(31)	(37)
(5)	(5)	Net (Deficit)/Surplus Year	(31)	(37)

### Statement of Intent and Performance

The company has complied with section 64 of the Local Government Act 2002 (LGA) and has had the Statement of Intent for 2009/10 and associated budget formally adopted by the directors at the meeting held on 8<sup>th</sup> May 2009 with a confirmation of policy on council contributions on 3<sup>rd</sup> July 2009.

The following is a report of performance against targets set in the Statement of Intent for 2008/09.

Outcomes	Action	Measure	Progress as at 30th June 2009
Ensure the umbrella company continues to operate effectively in both governance and management terms	Management reporting Accounting system –financial reports provided	Report target dates met	New accounting arrangements in place –regular reports available. Operational reports to 6 weekly Board meetings
Maintain operational principles regarding developing and approving shared services	Policy statement reviewed annually. Business cases provided and approved for services prior to initiation	30th June 2009 30th June 2009	Policy reviewed October 2008 Reports provided for Internal audit, After Hours telephone, CRS, Insurance review.
Develop and sustain communication lines with each shareholding council at appropriate levels,	Management team meetings with constituent Councils.	30th June 2009	No Meetings this financial year. Directors resolved(9.8.1) meetings to be held as Executive Officer feels are appropriate and commented that there had been no requests
Develop and sustain communication lines with shared service CCOs of neighbouring regions.	Regular contacts resulting in shared information reported to board	30th June 2010	Meeting with Manawatu Levin LASS awaiting advice for Waikato new appointment notified in June visit to take place
Investigate at least potential 5 shared services to identify saving and or benefits	Advisory groups established and feasibility studies completed.	30th June 2010	Currently 7 groups looking at 10 services
Achieve effective operation of at least 3 shared services with each service contributing appropriately to the costs of the umbrella vehicle.	Service levels agreed and implemented. Cost recovery /levy applied.	3 services by 30th June 2009	Office supplies, CRS, Internal Audit, After Hours telephone Services and Insurance Review,  Advisory group levies paid Contributions from Office supplies, Insurance, and CRS will come to charge in 2009-2010 year
Operate within agreed budgets.	Budget approved annually.	Budget approved 1st July 2008	Expenditure currently within budget except for unbudgeted items
Maintain positive cash flow.	Cash flow reports provided.on time. No negative cashflow arising from Boplass actions	30th June 2009	Not met due to Broadband expenditure and delay in benefits coming to charge
Survey customers of active shared services at least annually to measure their satisfaction with levels and quality of service.	Annual surveys undertaken.	30th June 2009	Not required Yet.  To be provided during 2009/2010 year
Survey customers of active shared services at least annually to measure their satisfaction with levels and quality of service.	Annual surveys undertaken.	30th June 2009	Not required Yet.  To be provided during 2009/2010 year
Survey directors at least annually to gauge their satisfaction with the: <ul style="list-style-type: none"> <li>Extent and quality of new service investigation and business case development.</li> <li>Administration and Secretarial support /reporting.</li> <li>Operations of advisory groups.</li> <li>Governance and Strategic role of the board.</li> <li>Performance of the Executive Officer of BOPLASS Ltd.</li> </ul>	Annual surveys prepared and circulated to directors.  Executive Officer report to directors.  Annual surveys prepared and circulated to directors.  Annual review by directors.  Chairpersons report to directors.	30th June 2009  6 weekly reports  30th June 2009	Directors surveyed and report presented to Directors meeting 20th March 2009.      Review undertaken by Chairman and reported to Directors. March 2009

## Bay Broadband Limited

The company was set up as a subsidiary company under BoPLASS Ltd. Its purpose is to provide a low cost legal entity to facilitate and promote the development of broadband capability and reach in the Bay of Plenty.

The company was legally constituted on 17<sup>th</sup> July 2008 and the inaugural meeting of the directors was held on 1<sup>st</sup> August 2008. The directors are made up of 5 directors from BoPLASS Ltd, two independent directors and one further independent director from the telecommunications industry.

### Financial Performance for the year ended 30 June 2009

2007/08 \$000s		2008/09 \$000s
0	Revenue	53
0	Expenditure	(58)
<hr/>		
0	(Deficit)/Surplus	(5)
<hr/>		
0	Net (Deficit)/Surplus Year	(5)
<hr/>		

### Statement of Intent and Performance

The company has complied with section 64 of the Local Government Act 2002 (LGA) and has had the Statement of Intent formally adopted by the directors at the meeting held on 31 October 2008. There was no financial forecast prepared as there was no expected expenditure. This altered as a result of the government's broadband investment fund announcement and activities requiring funding were funded by a grant from BoPLASS Ltd and participating councils.

The following is a report of performance against targets set in the Statement of Intent.

Outcome	Action	Measure	Result
Determine interest of telcos in what is proposed	Letters sent to telcos asking them to register their interest by 31 October 2008	Interest register	<b>Achieved</b>
Identify the preferred duct route of each interested telco	Letters sent to telcos asking them to identify their preferred duct route by 31 October 2008	Interest register	<b>Achieved</b>
Source funding for the incubation stages of the project from both regional and government sources	<ul style="list-style-type: none"> <li>Conduct meetings with regional and government sources.</li> <li>Submit application to Broadband Investment Fund (BIF).</li> </ul>	<ul style="list-style-type: none"> <li>Meetings recorded</li> <li>BIF fund application submitted.</li> </ul>	<b>Achieved. BIF fund cancelled.</b>
Recruit independent director(s) with appropriate expertise	Offer directorship to appropriate candidates.	Director registered with the Companies Office	<b>Achieved</b>
Subject to interest levels shown, develop acceptable terms and conditions for the services and performance of the duct	Develop terms and conditions for the services and performance of the duct.	Terms and conditions approved by Directors.	<b>Not Achieved. BIF fund cancelled.</b>
Develop and secure tenancy or memorandum of understanding agreements between BayBroadband Ltd and committed telcos	Secure tenancies or MOU agreements with telcos.	Signed tenancy and/or MOU agreements received.	<b>Not Achieved. BIF fund cancelled.</b>
Develop a final business proposal for the Board of BayBroadband Ltd to consider	Develop a final business proposal	Business proposal approved by Directors.	<b>In Progress</b>

## 27 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 \$282,000 (2008: \$263,470).

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

	<b>Actual 2009</b>	<b>Actual 2008</b>
	\$	\$
Salary	282,000	263,470
Vehicle (market value plus FBT)	17,443	19,049
Performance bonus	-	10,000
Other benefits (including medical insurance)	3,347	3,030
<b>Total remuneration</b>	<b>302,790</b>	<b>295,550</b>

### Elected Representatives

Elected representatives received the following remuneration:

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Councillors</b>		
Bruning, Norman Francis	26,507	28,209
Burgess, Maureen	21,039	22,389
Dunlop, Francis Miles (Sam)	34,103	28,209
Goudie, Ross	26,507	28,209
Gravit, Josephine Helen	26,507	28,209
Jones, Michael Charles	26,507	28,209
Marsh, Kevin Alexander	21,039	22,389
Matthews, Susan	21,039	22,389
Murray-Benge, Margaret Elizabeth	21,039	22,389
Paterson, Ross James	42,420	36,293
Thomas, Paul Geoffrey	26,507	28,209
Weld, Graeme Lineham	29,774	77,258
Williams, Michael	21,039	22,389
Thwaites, Don (Elected June 2009)	-	-
<b>Total Councillors</b>	<b>344,027</b>	<b>394,750</b>

## Community Board Members

Community board members received the following remuneration:

	2009	2008
	\$	\$
<b>Community Board Members</b>		
Coates, Patricia Margaret	8,980	9,557
Craig, Murray Alexander	2,990	3,186
Doggett, John Douglas	4,486	4,778
Duske, Bruce	8,980	9,557
Firth, Heather	2,990	3,186
Gibbs, Brendan	2,990	3,186
Gunn, Karyl	8,980	9,557
Hassell, Peter	2,990	3,186
Hicks, Robert	2,990	3,186
Hughes, Trevor Richard	2,244	2,389
Lawn, Alwyn	2,990	3,186
Miller, Peter	2,990	3,186
Poihipi, Carol	2,244	2,389
Rae, Peter Ernest	-	3,186
Simpson, Stephan	2,244	2,389
Sole, Neil William	2,990	3,186
Taylor, Gordon William John	2,990	3,186
Walker, Graeme	2,990	3,186
Webber, Gary John	2,990	-
Whittaker, Glenn	8,980	9,557
Williams, Susan	2,990	3,186
<b>Total Community Board Members</b>	<b>83,018</b>	<b>88,405</b>
<b>Non-Monetary Remuneration</b>		
Weld, Graeme Lineham / Paterson, Ross James	9,360	19,350

## 28 Severance payments

For the year ended 30 June 2009 Western Bay of Plenty District Council made one (2008: three) severance payments to employees totalling \$15,000 (2008: \$102,700).

## 29 Events after the balance date

There were no significant events after balance date.

## 30 Financial instruments

### 30a Financial instrument categories

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

	2009 \$000	2008 \$000
<b>Financial assets</b>		
<b>Derivative financial instruments that are not hedge accounted</b>		
Fair value through profit and loss	-	2,241
<b>Financial instruments</b>		
Financial instruments *	4,147	3,820
<b>Loans and receivables</b>		
Cash and cash equivalents	17,307	4
Debtors and other receivables	7,026	7,958
<b>Total loans and receivables</b>	<b>28,480</b>	<b>7,962</b>
<b>Fair value through equity</b>		
Other financial assets:		
- local authority stock	49	48
- listed shares	16	19
<b>Total held to maturity</b>	<b>65</b>	<b>67</b>
<b>Financial liabilities</b>		
<b>Derivative financial instruments that are not hedge accounted</b>		
Fair value through profit and loss	2,271	-
<b>Financial liabilities at amortised cost</b>		
Creditors and other payables	10,588	10,675
Borrowings:		
- bank overdraft	-	94
- secured loans	126,517	96,120
<b>Total financial liabilities at amortised cost</b>	<b>139,376</b>	<b>106,889</b>

## 30a Financial instruments categories (continued)

### Te Tumu Financial Instrument\*

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.

## 30b 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 between 50% and 95% of its borrowings in fixed rate instruments. Interest rate swaps are entered into to hedge the fair value interest rate risk arising from Western Bay's borrowings to ensure they remain within these limits.

## 30b Financial instrument risks (continued)

### Cash flow interest rate risk

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

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Cash at bank and term deposits	17,307	4
Debtors and other receivables	7,026	7,958
Local authority and government stock	65	67
Derivative financial instrument assets	(2,271)	2,241
Financial guarantees	-	-
Financial instruments	4,147	3,820
<b>Total credit risk</b>	<b>26,274</b>	<b>14,090</b>

## 30b 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:

	2009 \$000	2008 \$000
<b>COUNTERPARTIES WITH CREDIT RATINGS</b>		
Cash at bank and term deposits:		
A-1+	17,307	-
<b>Total cash at bank and term deposits</b>	<b>17,307</b>	<b>-</b>
Local authority and government stock:		
A	49	48
<b>Total local authority and government stock</b>	<b>49</b>	<b>48</b>
<b>Derivative financial instrument assets:</b>		
AA	-	2,241
<b>Total derivative financial instrument assets</b>		<b>2,241</b>
Financial instrument assets		
No rating	4,147	3,820
<b>Total derivative financial instrument assets</b>		<b>3,820</b>
<b>COUNTERPARTIES WITHOUT CREDIT RATINGS</b>		
Existing counterparty with no defaults in the past	16	19
<b>Total community and related party loans</b>	<b>16</b>	<b>19</b>

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 receivables, 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 \$600,000 (2008: \$600,000). 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
<b>Council 2009</b>						
Creditors and other payables	10,588	10,588	10,588	-	-	-
Net settled derivative liabilities	2,271	2,772	623	476	-	1,673
Bank overdraft	-	-	-	-	-	-
Secured loans	126,517	144,896	18,696	21,048	83,061	22,092
<b>Total</b>	<b>139,376</b>	<b>158,256</b>	<b>29,903</b>	<b>21,524</b>	<b>83,061</b>	<b>23,765</b>
<b>Council 2008</b>						
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
<b>Total</b>	<b>106,889</b>	<b>113,310</b>	<b>35,657</b>	<b>4,301</b>	<b>35,855</b>	<b>37,497</b>

## 30b 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
<b>Council 2009</b>						
Cash and cash equivalents	17,307	17,307	17,307	-	-	-
Debtors and other receivables	7,026	7,026	7,026	-	-	-
Net settled derivative assets	-	-	-	-	-	-
Net settled financial instruments	4,147	10,305	-	-	-	10,305
Other financial assets:						
- local authority and government stock	65	65	65	-	-	-
<b>Total</b>	<b>28,545</b>	<b>34,703</b>	<b>24,398</b>	<b>-</b>	<b>-</b>	<b>10,305</b>
<b>Council 2008</b>						
Cash and cash equivalents	4	4	4	-	-	-
Debtors and other receivables	7,958	7,958	7,958	-	-	-
Net settled derivative assets	2,241	3,011	-	542	1,807	662
Net settled financial instruments	3,820	10,305	-	-	-	10,305
Other financial assets:						
- local authority and government stock	67	67	67	-	-	-
<b>Total</b>	<b>14,090</b>	<b>21,345</b>	<b>8,029</b>	<b>542</b>	<b>1,807</b>	<b>10,967</b>

### 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	2009 \$000			2008 \$000			
		Profit	-100bps Other Equity	+100bps Other Equity	Profit	-100bps Other Equity	+100bps Other Equity	
<b>Interest Rate Risk</b>								
<b>Financial assets</b>								
Cash and cash equivalents	1	(173)		173	-	-	-	-
Derivatives – interest rate swaps	2	(5,160)		4,741	1,051	-	3,401	-
Financial instruments	3				(38)		38	
Other financial assets:								
- local authority stock	4	-		-	-		-	
<b>Financial liabilities</b>								
Borrowings:								
- bank overdraft	5	-		-	1		(1)	
- debentures	6	1,125		(1,125)	961		(961)	
<b>Total sensitivity to interest rate risk</b>		<b>(4,208)</b>	<b>-</b>	<b>3,789</b>	<b>50</b>	<b>-</b>	<b>4,401</b>	<b>-</b>
<b>Equity Price Risk</b>								
Financial assets								
Other financial assets:								
- quoted share investments	8		(2)		2		(2)	2
<b>Total sensitivity to equity price risk</b>			<b>(2)</b>		<b>2</b>		<b>(2)</b>	<b>2</b>

## Explanation of sensitivity analysis

### 1. Cash and cash equivalents

Cash and cash equivalents include deposits at call totalling \$17,307,000 (2008: \$4,000) which are at floating rates. A movement in interest rates of plus or minus 1.0% has an effect on interest income of \$173,000 (2008: \$Nil).

### 2. Derivatives

#### **Financial liabilities**

Derivative financial assets not hedge accounted includes interest rate swaps with a fair value totalling (\$2.27)million (2008: \$2.24 million). A movement in interest rates of plus or minus 1.0% has an effect on the swap value of plus \$4.74 million (2008: \$3.40 million) and minus \$5.16 million (2008: \$1.05 million).

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## 30b Financial instrument risks (continued)

### Explanation of sensitivity analysis (continued)

#### 3. Financial instruments

Financial instruments include Te Tumu land purchase totalling \$4.15million (2008: \$3.82 million).

A movement in interest rates of 1.0% has an effect of \$50,000 (2008: (\$50,000)) on the unrealised value of the financial instruments.

#### 4. Local authority stock

A total of \$49,000 (2008: \$48,000) 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 \$2,000 (2008: \$2,000) on the fair value through equity reserve.

#### 5. Bank overdraft

At 30 June 2008 Western Bay had no bank overdrafts (2008: \$94,000) any overdraft would be at a floating interest rate. A movement in interest rates of plus or minus 1.0% would have no effect on interest expense (2008: \$1,000).

#### 6. Secured loans

##### ***Debentures - Secured Loans***

Council has floating rate debt with a principal amount totalling \$112.52 million (2008: \$96.12 million). A movement in interest rates of plus or minus 1.0% has an effect on interest expense of \$1,125,000 (2008: \$961,000). A movement in market interest rates on fixed rate debt does not have any impact because secured loans are accounted for at amortised cost 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 valued at \$16,000 (2008: \$18,000), these are not publicly traded. If there was a movement of plus or minus 10% in the share price the effect would be a movement in the fair value through equity reserve of \$1,600 (2008: \$1,800).

## 31 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.

## 32 Explanation of major variances against budget

Explanations for major variations from Western Bay's estimated figures in the 2008/2009 Annual Plan and 2009 Actuals are as follows:

### Statement of Comprehensive Income

#### Actual 2009 –loss of \$(8.493) million versus 2009 budget - surplus of \$7.744 million

\$8.909 million of the \$16.237 million variance was due to non cash movements primarily as a result of the economic downturn, as well as \$3.032 million as a result of reclassification of transportation expenditure from capital to maintenance. This reclassification did not require additional funding, and is offset by a reduction in capital expenditure in the balance sheet. Financial contributions revenue was the only significant cash variance.

The major contributors to the variance were;

*Decreases in revenue;*

<sup>1</sup> Financial contributions received	\$4.856 million
<sup>2</sup> Vested assets (non cash)	\$1.629 million.
<sup>3</sup> Finance income (no swap premium -non cash)	<u>\$1.007 million</u>
	\$(7.492) million

*Increases in expenditure;*

<sup>4</sup> Transportation – reclassification of PBC spend	\$3.032 million
<sup>5</sup> Depreciation and amortisation (non cash)	\$1.454 million
<sup>3</sup> Finance costs (non cash - change in swap valn)	\$3.631 million
Write down in value of assets (non cash)	<u>\$1.188 million</u>
	<u>\$(9.305)million</u>
Total of above variances	\$(16.797) million

- Financial contributions in the 2009 Annual Plan were identified as being unachievable and were subsequently rebudgeted at \$4.4 million halfway through Actual contributions revenue received was \$5.3 million, but \$1.4 million of prior years unrecoverable debtors was written off against this balance during the year.
- Vested assets are directly related to sub divisional development activity, which has significantly reduced since the beginning of the year.
- These non cash increases in expenditure are included in the Council Services activity as part of the Treasury function.
- There was significantly more maintenance expenditure as compared to capital expenditure for the PBC contract in 2009 as will be the case for the remaining 3 years of the contract. The early years of the contract saw more capital expenditure than maintenance expense.
- Depreciation expense in the 2009 Annual Plan was identified earlier on in the year as being underestimated and was rebudgeted to be \$13.699 million for the year, which was \$317,000 lower than the actual depreciation expense of \$14.016 million.

In addition to the net loss there is also \$89.131 million of revaluation income as a result of the revaluation of infrastructure assets and land and buildings during the year. Approximately \$70 million of this increase in asset values is for roading assets. Under NZ IFRS revaluation movements are now required to be included in the Statement of Comprehensive Income. This required accounting treatment will continue to result in significant swings in revenue and expenditure in the net operating result of Council. In prior years revaluation movements were only accounted for in the Statement of Movements in Equity.

## Statement of Financial Position

### Actual net equity of \$948,720 million versus \$871,540 million 2008 actual

There has been an increase in overall net equity from actual 2008 of \$77.181 million. The majority of this movement is due to:

	\$
Increase in asset valuations	85.673 m
Net loss for year	(8.493) m
Increase in cash held at year end	17.304m
Increase in term debt for year	(30.397) m
Decrease in investment assets	(0.560) m
Decrease in swap valuations	(4.512) m
Decrease in debtors	(1.057) m
Increase in assets purchased/constructed	<u>23.083 m</u>
Total of above variances	\$79.582 m

## Statement of Cash flows

### 2009 actual was a net increase in cash held of \$17.397 million versus a budgeted net increase of \$488,000 and actual 2008 net decrease in cash held of \$(2.937)million

The large cash balance remaining at year end is as a result of the unspent balance of the \$25 million fixed rate note.

### Net cash flows from operating activities of \$9.760 million versus \$28.378 million budget and \$16.965 million 2008 actual

The unfavourable variance is primarily due to higher expenditure than last year, primarily due to increased roading maintenance costs as a result of the PBC contract. Capital expenditure for roading would have been accounted for under investing activities and not a part of operating cash flows.

Cash operating revenue is very similar to the 2008 actual. I.E. \$60.450 million for 2009 versus \$60.325 million for 2008.

### Net cash flows from investing activities of \$(22.760) million versus \$(34.890) million budget and \$(30.249) million 2008 actual.

Lower actual cash expenditure for capital purchases/construction is the reason for this lower net cost.

### Net cash flows from financing activities of \$30.397 million versus \$7million budget and \$10.347 million 2008 actual

The increase in net cash flows is primarily due to the unbudgeted 5 year \$25 million fixed rate note borrowings uplifted towards the end of the financial year.