

Reporting package for transition to NZ International Financial Reporting Standards (IFRS)

As at transition date 1 July 2005 and for the comparative year 2006.



Whakatane District Council

REPORTING PACKAGE FOR TRANSITION TO NZ INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**AS AT TRANSITION DATE 1 JULY 2005 AND FOR THE COMPARATIVE YEAR 2006.**

The net impact of the change has been to increase the net worth of the Council by just over \$18,000,000. The main reason for this is due to recognising investment properties at fair value instead of at original cost. The property on Bunyan Road contributed the majority of this increase.

The details of the adjustments for IFRS follow:-

Restated Statement of Financial Position follow

i Investment properties

The Council records investment property at fair value. Under previous NZ GAAP, some of these properties were properties for sale and valued at cost.

The impact of this to the council is as follows:

At 1 July 2005:

There is a \$19,679,193 increase to the fair value of investment property.

At 30 June 2006:

There has been a \$499,000 reduction in the fair value of investment property since they were revalued as at 1 July 2005.

ii Land intended for sale

Land currently held for indeterminable use is classified as Investment Property. Land intended for sale has been reclassified as Investment Property.

iii Cash and cash equivalents

There has been a change in the definition of cash and cash equivalents from previous NZ GAAP. Cash and cash equivalents now includes short term investments that have maturities of three months or less from date of acquisition. As a result these short term investments have been reclassified to cash.

iv Provision for doubtful debts

Only specific provisions are allowed under NZ IFRS. The Council has re-estimated provision for doubtful debts on a specific provision basis and has increased the provision to reflect a more conservative approach to the doubtful debt provision.

The impact of this to the council is as follows:

At 1 July 2005:

There is an increase in the provision for doubtful debts by \$846,570.

v Parking revenue to cash

Parking changed to a cash basis by reducing \$281,036 from debtors and retained earnings. This is a correction rather than a IFRS adjustment.

Due to the uncertainty of collecting parking fines once in the court system, we have reverted to recognising them on a cash basis and restated the value as at 1 July 2005:

vi Employee benefits

NZ IFRS requires sick leave to be recorded as a liability.

At 1 July 2005:

There is an increase in employee obligations of \$12,000.

At 30 June 2006:

There has been no change in the value of the obligation from 1 July 2005.

vii Income in advance

Rentals in advance of \$500,000 have been adjusted prior to 2005 to correct income to be in line with the accounting policy on income. This is a correction rather than a IFRS adjustment.

viii Revaluation reserves

As the Council has taken up the option of deemed cost as at the 30 June 2005, the asset revaluation reserves formerly recognised in the financial accounts have been reversed against general equity.

ix Reclassification of software to intangible assets

Software is now an intangible asset, formerly part of fixed assets.

x Reclassification of Expenditure and Revenue Items

The NZIFRS discloses more detail, this has required recategorisation of the income and expenditure items in the Statement of Performance. Note that current disclosure now includes water by meter as part of the rate income.

xi Cash flow statement

The cash flow statement has been changed for IFRS to bring the cash and cash equivalents in line with the new definitions. This reduced the closing cash by \$2,110,000 offset by an increase in investments uplifted of \$2,871,000 and cash in opening cash of \$4,981,000.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2006
**ADJUSTMENTS TO THE PUBLISHED ACCOUNTS FOR
NZ IFRS**

	Refer Notes	Previous NZ GAAP 30-Jun-06 \$000	Effect on transition to NZ IFRS 2005 Adjustments \$000	Effect on transition to NZ IFRS 2006 Adjustments \$000	NZ IFRS 30 June 2006 \$000
PUBLIC EQUITY					
Retained Earnings		330,449	106,668	(506)	436,611
Restricted Equity	viii	100,485	(88,628)	(779)	11,078
Asset Revaluation Reserve		0	0	779	779
TOTAL PUBLIC EQUITY		430,934	18,040	(506)	448,468
REPRESENTED BY:					
CURRENT ASSETS					
Cash and Cash Equivalents	iii	2,428	5,956	(4,398)	3,986
Other Financial Assets	iii	3,674	(5,955)	4,391	2,110
Inventory		101	0	0	101
Trade and Other Receivables	iv,v	7,807	(1,088)	0	6,719
Prepayments		41	(41)	0	0
Total Current Assets		14,051	(1,128)	(7)	12,916
NON-CURRENT ASSETS					
Other Financial Assets	iii	65	(31)	0	34
Plant, Property and Equipment		0	0	0	0
Operational Assets	ix	50,915	(34)	59	50,940
Infrastructural Assets		319,674	0	(882)	318,792
Intangible Assets	ix	0	65	(59)	6
Restricted Assets		35,833	0	0	35,833
Investment Properties	i	25,397	20,012	(499)	44,910
Work in Progress		491	1	882	1,374

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2007 CONT.

	Refer Notes	Previous NZ GAAP 30-Jun-06 \$000	Effect on transition to NZ IFRS 2005 Adjustments \$000	Effect on transition to NZ IFRS 2006 Adjustments \$000	NZ IFRS 30 June 2006 \$000
Forestry Assets		45	0	0	45
Land intended for sale	ii	333	(333)	0	0
Total Non-Current Assets		<u>432,753</u>	<u>19,680</u>	<u>(499)</u>	<u>451,934</u>
TOTAL ASSETS		<u>446,804</u>	<u>18,552</u>	<u>(506)</u>	<u>464,850</u>
Current Liabilities		0	0	0	0
Trade and Other Payables	vi	7,648	891	0	8,539
Employee Benefit Liabilities	vi	0	357	0	357
Goods and Services Tax		196	0	0	196
Income Received in Advance	vii	1,008	(1,008)	0	0
Deposits		425	(425)	0	0
Provisions		30	0	0	30
Borrowings		3,603	0	0	3,603
Total Current Liabilities		<u>12,910</u>	<u>(185)</u>	<u>0</u>	<u>12,725</u>
Non Current Liabilities					
Provision Landfill		1,928	(1,928)	0	0
Provision Forestry		1,000	(1,000)	0	0
Employee Benefits Provision		0	697	0	697
Provisions		0	2,928	0	2,928
Borrowings		32	0	0	32
Total Non-Current Liabilities		<u>2,961</u>	<u>697</u>	<u>0</u>	<u>3,657</u>
TOTAL LIABILITIES		<u>15,870</u>	<u>512</u>	<u>0</u>	<u>16,382</u>
NET ASSETS		<u>430,934</u>	<u>18,040</u>	<u>(506)</u>	<u>448,468</u>

The Notes and the Statement of Accounting Policies form part of the Financial Statements.

**RECONCILIATION OF 2006 STATEMENT OF FINANCIAL PERFORMANCE
ADJUSTMENTS TO THE PUBLISHED ACCOUNTS FOR NZ IFRS**

	Refer Notes	Previous NZ GAAP 30 June 2006 Actual \$000	Effect of transition of NZ IFRS 30 June 2006 \$000	Restated NZ IFRS 30 June 2006 Actual \$000
REVENUE				
Rates Revenue	x	19,879	2,592	22,471
Interest Received	x	529	(529)	0
Other Income	x	643	20,164	20,807
Petroleum Tax	x	239	(239)	0
Income from Activities	x	20,029	(20,029)	0
Investment Properties Revaluation	i	6,283	(499)	5,784
Developers Contributions	x	2,076	(2,076)	0
Vested Assets	x	185	(185)	0
Total Income		49,863	(801)	49,062
EXPENDITURE				
Employee Benefit Expenses	x	0	7,553	7,553
Depreciation and Amortisation	x	0	8,309	8,309
Other Expenses		0	25,090	25,090
Finance Costs		0	523	523
Expenditure from Activities		41,777	(41,777)	0
Museum Collection Revaluation	x	1,157	0	1,157
Total Operating Expenditure		42,934	(302)	42,632
Surplus / (Deficit) Before Taxation	i	6,929	(499)	6,430
less Tax Expenses		0	0	0
Net Surplus /(Deficit) After Taxation		6,929	(499)	6,430

**RECONCILIATION OF 2006 STATEMENT OF CASHFLOWS
ADJUSTMENTS TO THE PUBLISHED ACCOUNTS FOR NZ IFRS**

	Refer Notes	Previous NZ GAAP 30 June 2006 Actual \$000	Effect of transition of NZ IFRS 30 June 2006 \$000	Restated NZ IFRS 30 June 2006 Actual \$000
Cash flows from Operations		3,402	0	3,402
Cash flows from Investing	xi	(6,187)	2,871	(3,316)
Cash flows from Financing		(1,972)	0	(1,972)
Net Increase / (Decrease) in Cash Held	xi	<u>(4,757)</u>	<u>2,871</u>	<u>(1,886)</u>
Opening Cash Brought Forward	xi	9,932	(4,981)	4,951
Closing Cash Balance		<u><u>5,175</u></u>	<u><u>2,110</u></u>	<u><u>3,065</u></u>

For and on behalf of Whakatane District Council, which authorised this reporting package on 31 October 2007.



**C G H Holmes
MAYOR**



**Diane Turner
CHIEF EXECUTIVE**

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of Whakatane District Council for the year ended 30 June 2007 included on Whakatane District Council's web site. The Whakatane District Council is responsible for the maintenance and integrity of the Whakatane District Council's web site. We have not been engaged to report on the integrity of the Whakatane District Council's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 31 October 2007 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.