



KAWERAU DISTRICT COUNCIL

SUMMARY ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2007

MAYOR'S MESSAGE

The Annual Report reviews the Council's performance under its Annual Plan for the 2006/2007 year. It is the Council's accountability to the Community.

The results are excellent with almost all of the non-financial performance indicators being achieved.

It is pleasing to see that our operations continue to be managed effectively and efficiently while at the same time maintaining a high level of service.

I would thank the Councillors for their support. To the Chief Executive Officer and his Staff, a special thanks for their efforts and hard work which is reflected in the excellent results that have been achieved.

M J Campbell, JP
MAYOR

This Summary Annual Report was authorised by Russell George, Chief Executive Officer, on 31 October 2007 at Kawerau.

AUDIT REPORT

**TO THE READERS OF KAWERAU DISTRICT COUNCIL'S
 SUMMARY ANNUAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2007**

We have audited the summary annual report.

Unqualified Opinion

In our opinion:

- σ the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- σ the information reported in the summary financial statements complies with FRS-43: Summary Financial Statements and is consistent with the full financial statements from which it is derived.

We expressed an unqualified audit opinion, in our report dated 31 October 2007, on:

- σ the full financial statements; and
- σ the Council's compliance with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report.

Basis of Opinion

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. Other than in our capacity as auditor, we have no relationship with or interests in the Kawerau District Council.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report and we are responsible for expressing an opinion on that report. These responsibilities arise from the Local Government Act 2002.

John Scott, Audit New Zealand
 On behalf of the Auditor-General
 Auckland, New Zealand
 31 October 2007

Matters relating to the electronic presentation of the audited summary annual report

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

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

Legislation in New Zealand governing the preparation and dissemination of summary annual reports may differ from legislation in other jurisdictions.

FINANCIAL PERFORMANCE

Actual		Budget	Actual
2005/06		2006/07	2006/07
	Income		
5,018,036	Rates revenue	5,469,550	5,584,150
1,289,619	Other revenue	959,890	1,047,372
217	Other gains/(losses)	0	(5,834)
<u>6,307,872</u>	Total Income	<u>6,429,440</u>	<u>6,625,688</u>
	Expenditure		
1,866,522	Employee benefit expenses	2,199,217	2,106,331
1,643,715	Depreciation and amortisation	1,601,800	1,713,490
3,210,255	Other expenses	3,137,313	3,308,245
2,125	Finance costs	0	4,907
<u>6,722,617</u>	Total Operating Expenditure	<u>6,938,330</u>	<u>7,132,973</u>
<u>(414,745)</u>	Net Deficit	<u>(508,890)</u>	<u>(507,285)</u>

MOVEMENTS IN EQUITY

Actual		Budget	Actual
2005/06		2006/07	2006/07
45,080,710	Balance at 1 July	44,820,410	44,665,965
0	<i>Property plant and equipment</i>		
0	Revaluation gains/(losses) taken to equity	0	7,642,018
0	Transfer to statement of financial performance on disposal	0	0
0	Net income/(expense) recognised direct in equity	0	7,642,018
<u>(414,745)</u>	Surplus/(deficit) for the year	<u>(508,890)</u>	<u>(507,285)</u>
<u>(414,745)</u>	Total recognised revenue and expenditure for the year	<u>(508,890)</u>	<u>(507,285)</u>
<u>44,665,965</u>	Equity at end of the year	<u>44,311,520</u>	<u>51,800,698</u>

FINANCIAL POSITION

Actual		Budget	Actual
2005/06		2006/07	2006/07
	ASSETS		
3,672,277	Current assets	3,537,430	4,278,252
<u>42,506,530</u>	Non-current assets	<u>42,265,370</u>	<u>49,531,389</u>
<u>46,178,807</u>	TOTAL ASSETS	<u>45,802,800</u>	<u>53,809,641</u>
	LIABILITIES		
1,321,459	Current liabilities	1,144,060	1,788,729
<u>191,383</u>	Non-current liabilities	<u>347,220</u>	<u>220,214</u>
<u>1,512,842</u>	TOTAL LIABILITIES	<u>1,491,280</u>	<u>2,008,943</u>
	EQUITY		
41,556,456	Retained earnings	30,647,850	40,804,865
<u>3,109,509</u>	Other reserves	<u>13,663,670</u>	<u>10,995,833</u>
<u>44,665,965</u>	TOTAL EQUITY	<u>44,311,520</u>	<u>51,800,698</u>
<u>46,178,807</u>	TOTAL LIABILITIES & EQUITY	<u>45,802,800</u>	<u>53,809,641</u>

CASHFLOWS

Actual		Budget	Actual
2005/06		2006/07	2006/07
1,480,770	Net cash flow from operating activities	1,253,110	1,566,472
(988,555)	Net cash flow to investing activities	(1,297,790)	(982,545)
(16,959)	Net cash flow to financing activities	(440)	(19,097)
475,256	Net increase/(decrease) in cash, cash equivalents and bank overdrafts	(45,120)	564,830
2,331,146	Cash and cash equivalents at the beginning of the year	2,587,830	2,806,402
<u>2,806,402</u>	Cash and cash equivalents at the end of the year	<u>2,542,710</u>	<u>3,371,232</u>

REPORTING ENTITY

Kawerau District Council is a local authority in terms of the Local Government Act 2002. These Financial Statements, for the year ended 30 June 2007, have been prepared in terms of Section 98 of the Local Government Act 2002 and in a format consistent with the standards issued by the Institute of Chartered Accountants of New Zealand, which is in accordance with generally accepted accounting practice.

The Council is a public benefit entity and the Financial Statements have been prepared in New Zealand dollars.

This summary Annual Report has been prepared in accordance with FRS 43 – Summary Financial Statements.

CHANGES IN ACCOUNTING POLICIES

As a result of the change to NZ IFRS, changes in the accounting policies have taken place, which has required the restatement of some comparative figures from 2005/06.

Further explanations of the effect on the comparative figures are contained in pages 14 to 18 of this summary.

The full Financial Statements were authorised for issue, on 31 October 2007.

EXPLANATION OF SIGNIFICANT VARIANCES

Statement of Financial Performance

The net deficit was \$507,285 compared to a budgeted deficit of \$508,890.

There were significant variances in the following areas:

- Interest revenue was \$48,063 above budget due to higher levels of investment as a result of the timing of some asset renewal expenditure.
- Fees, charges and other revenue were \$108,912 above budget, mainly due to higher revenue in Environmental Services (higher than anticipated volumes of building and resource consents).

Statement of Financial Position

Cash and Cash Equivalents are \$828,522 higher than budgeted, as a result of surpluses from prior years, higher than budgeted cash flows from operating activities and deferral of capital expenditure until 2007/08.

Fixed Assets are \$7,185,546 higher than budgeted largely due to the revaluation of assets undertaken as at 30 June 2007.

Creditors are \$601,149 higher than budgeted mainly as a result of the timing of payment of rates to the Regional Council.

Statement of Cash Flows

The net cash flow from operating activities was \$313,362 higher than budget due to the receipt of rates, subsidies and charges being higher than anticipated and delayed remittance of Regional Council Rates.

STATEMENT OF COMMITMENTS

Council had one capital commitment at 30 June 2007 (2006 – one).

	2006	2007
Due less than 1 year	<u>99,020</u>	<u>386,000</u>

Council had the following finance lease commitment at 30 June 2007.

	2006	2007
Due less than 1 year	13,280	12,313
Due more than 1 year, less than 2 years	1,930	10,383
Due more than 2 years, less than 5 years	<u>0</u>	<u>20,765</u>
	15,210	43,461
Future finance charges	<u>(548)</u>	<u>(7,840)</u>
	<u>14,662</u>	<u>35,621</u>

STATEMENT OF CONTINGENT LIABILITIES

Contingent liabilities at 30 June 2007 were –

In November 2003, Council agreed to act as guarantor for a bank loan to Kawerau Bowling Club Inc. The maximum potential liability to Council from this guarantee is \$57,633 (2005/2006 \$65,885).

POST BALANCE DATE EVENTS

Environment Bay of Plenty's Operative Regional Plan for the Tarawera River Catchment means that Carter Holt Harvey had to discontinue discharging effluent into the river by May 2007. Council is negotiating with Carter Holt Harvey an alternative agreement that will involve Council taking over responsibility for the treatment and discharging of the District's human effluent. The date for Council taking responsibility has yet to be established.

There were no significant post balance date events (2005/2006 Nil).

STATEMENTS OF SERVICE PERFORMANCE**DEMOCRACY**

Target	Result
To achieve a surveyed community satisfaction level, for the performance of the Mayor and Councillors, better than 54%.	The surveyed community satisfaction level was 78%.
To achieve a surveyed community satisfaction level, for the "way rates are spent", better than 74%	The surveyed community satisfaction level was 84%.
To hold at least 11 Council meetings during the financial year on the advertised dates and to meet the requirements of public notification laid down in Section 46 of the Local Government Official Information and Meetings Act 1987.	Sixteen Council meetings were held during the year. All met the public notification requirements.
To communicate Council's activities and proposals to residents and ratepayers by way of a Newsletter at least twice during the financial year.	Two newsletters were distributed to all households.
To undertake and complete the Annual Planning process by meeting the standards and the timeframe required by the Local Government Act.	The 2006/07 – 2015/16 Long-Term Council Community Plan was adopted before the legislative deadline on 26 June 2007. The Annual Report for 2005/2006 received an unqualified Audit Report and was also adopted within the legislative timeframe.

ECONOMIC DEVELOPMENT

Target	Result
Provision of an Information Centre open 364 days a year.	The Information Centre was open every day except Christmas Day.
To promote the District by making available an Event Marketing Fund of at least \$5,000 annually.	The fund was made available throughout the year - \$2,000 was distributed.
To promote the District by having a Rates Remission for Developments Policy in place.	The Policy was in place throughout the year – one application was received and approved in 2006/07.
To have funding of \$5,000 available for the regional economic development agency.	Funding of \$5,000 was paid to the regional economic development agency (ToiEDA).
To ensure that there are sufficient, suitably zoned and serviced industrial sites available in the District to meet current demand.	Suitably zoned and serviced industrial sites were available throughout the year.

ENVIRONMENTAL SERVICES

Target	Result
To ensure that 100% of all Resource Consent applications are processed within the timeframes set out in the Resource Management Act 1991.	95% (20 out of 21) of Resource Consent Applications were processed within the timeframes set out in the Resource Management Act 1991.
Resource Consent conditions are monitored and compliance achieved within specified timeframes.	Monitoring was carried out and compliance with consent conditions achieved, although no reliable system was in operation to ensure that achievement was within specified timeframes.
To maintain an operative District Plan with reviews and changes in accordance with statutory processes and deadlines.	Council has an operative District Plan. A review of the plan is due by 30 June 2009. Work on the review commenced in the 2006/07 year.
95% of all Building Consent Applications are processed (including inspection) within 20 days, in accordance with the Building Act 2004 and Regulations.	97% (168/173) of Building Consent Applications were processed within 20 working days.
All liquor licences are issued in accordance with statutory timeframes.	All liquor licences (52) were issued in accordance with statutory timeframes.
All Project Information Memoranda, Code Compliance Certificates and Compliance Schedules are issued within statutory timeframes.	A Project Information Memoranda process non-compliance issue was identified in August 2006 and corrective action was taken.
All wandering stock is removed within one hour of request.	All wandering stock was removed, but a reliable system to monitor the achievement of the timeframe remains to be developed.
Weekday daily patrols are carried out and abandoned cars and litter are removed within two days of notification, subject to compliance with statutory processes.	Weekday daily patrols were carried out and abandoned cars and litter were removed subject to compliance with statutory processes. A reliable system to monitor the achievement of the timeframe remains to be developed.
To achieve a surveyed community satisfaction level, for Other Environmental Services, better than 91%.	The surveyed community satisfaction level was 95%
To ensure that all food premises are inspected at least twice yearly by a professional qualified under the Environmental Health Officers Regulations 1993, in order to promote and enforce compliance with the standard required by the Food Hygiene Regulations 1974.	All registered food premises that were in operation for a full year were inspected by a qualified inspector at least twice during the year.
To achieve a surveyed community satisfaction level, for Dog Control, better than 71%.	The surveyed community satisfaction level was 71%. The target was missed by one point but was an increase on the 2006 survey (68%) and was the best result so far achieved in this service since the survey began.

All complaints about nuisances caused by dogs are actioned within 24 hours of receipt and records of all complaints and action taken are kept.	All complaints were recorded and actioned. However, a review of the records has indicated poor documentation of response times and these cannot be verified.
To undertake no less than 460 weekday and 340 after hours dog patrols per annum and to take action in accordance with statutory requirements and Council policies for all instances of non-compliance observed and recorded by the patroller.	492 weekday and 401 after hours dog patrols were undertaken during the year and all instances of non-compliance observed were recorded and appropriate action taken by the patroller.
To carry out a door to door survey annually.	The door to door survey was undertaken.

TRANSPORT MANAGEMENT

Target	Result
To achieve a surveyed community satisfaction level, for transport management assets, better than 71%.	The surveyed community satisfaction level was 91%.
To maintain the road carriageway so that a district wide average roughness rating (the rougher the road the higher the number) of lower than 85 (this is equivalent to the roughness of Islington Street) is achieved in the annual survey conducted by independent professionals in accordance with Land Transport New Zealand standards.	A roughness survey was undertaken by independent professionals in accordance with Land Transport New Zealand standards. The average roughness rating of roads in the District is 78. This is smoother than the target of 85.
To maintain the transport management network such that no more than 2 notified accidents per year can be attributed to the condition of the road surface markings, road surface condition or street lighting as reported by the New Zealand Police.	There were no notified accidents during the year that could be attributed to the condition of the road surface markings, road surface condition or street lighting.
Roads are managed in accordance with Council's Safety Management System and the Eastern Bay of Plenty Safety Strategy, including associated implementation strategies.	Roads were managed in accordance with Council's Safety Management System and the Eastern Bay of Plenty Safety Strategy, including associated implementation strategies.
No dwellings constructed in accordance with design standards are inundated in residential areas.	There were no reports of dwellings being flooded.

WATER SUPPLY

Target	Result
To achieve a surveyed community satisfaction level, for water supply services, better than 80%.	The surveyed community satisfaction level was 95%.
To undertake bacteriological monitoring of the public water supply at a frequency of at least twice per month, to establish the quality of Council's water in comparison to Drinking Water Standards New Zealand.	The water supply was monitored through bacteriological testing at least twice per month during the year in a minimum of two locations. There were no instances of contamination that occurred in 2006/2007 that required chlorination of the water supply.
To conduct daily samples, when the total town's water consumption exceeds 12,000m ³ /day, and have no instances where the tests, taken between 3.00pm and 5.00pm at Windley Place, Blundell Avenue and the Cemetery, show water pressure lower than 40 psi (275kPa).	There were no days where the flow exceeded 12,000m ³ /day.
There are no more than twelve unplanned shutdowns of the reticulation system per year resulting in loss of supply to customers exceeding 4 hours and no unplanned shutdowns of the pump stations or reservoirs resulting in loss of supply to customers exceeding 4 hours.	There were no unplanned shutdowns of the reticulation system, the pump stations or reservoirs resulting in loss of supply to customers exceeding 4 hours.
100% of complaints that involve safety issues are responded to within one hour.	No complaints that involved safety issues were received.

95% of complaints that relate to poor pressure and leaks responded to by the end of the next working day.	There were no complaints about poor pressure. All leak complaints were responded to, but a reliable system to monitor the achievement of the timeframe remains to be developed.
100% compliance with resource consents.	There was 100% compliance with resource consent conditions.

WASTE MANAGEMENT

Target	Result
To achieve a surveyed community satisfaction level, for wastewater, better than 79%	The surveyed community satisfaction level was 97%
95% on-site response within 4 hours of notification of urgent blockages and 95% on-site response within one day of notification of non-urgent complaints (e.g. odour)	All blockages were responded to. A reliable system to monitor the achievement of the timeframe remains to be developed. There were no non-urgent (eg – odour) complaints received.
100% compliance with resource consents.	There was 100% compliance with resource consent conditions.
Less than four justifiable complaints about odours originating from the collection system and treatment.	No complaints were received about odours.
To achieve a surveyed community satisfaction level, for refuse collection, better than 83%.	The surveyed community satisfaction level was 74%. While the target was not achieved, the result represents another significant improvement on recent surveys (2004: 58%, 2005: 47%, 2006: 66%). The predominant reason for dissatisfaction relates to the volume of the residual bins.
Less than 30 justifiable complaints of missed collection per annum.	Council receives about 3 complaints per week of missed collection. In most cases it is difficult to determine whether it is a justified complaint or the bin was put out late.
To achieve a surveyed community satisfaction level, for refuse disposal, better than 64%.	The surveyed community satisfaction level was 58%. As with refuse collection, the result for refuse disposal was an improvement on recent surveys (2004: 53%, 2005: 49%, 2006: 55%). The reasons for dissatisfaction related to the landfill charges and expectation of a “free” service.

100% compliance with resource consent conditions and monitoring requirements.	There was 100% compliance with resource consent conditions and monitoring requirements.
To achieve a 70% reduction in the amount of local refuse being landfilled compared to that landfilled in the 3 months ended 30 June 2000 (benchmark measurement).	A 63% reduction in the amount of local refuse being landfilled compared to that landfilled in the 3 months ended 30 June 2000 (benchmark measurement) was achieved. The target set was optimistic and Council will continue to implement waste reduction initiatives in the future.

LEISURE & RECREATION

Target	Result
To make the library available for use for a minimum of 50 weeks of the year during the following hours: <ul style="list-style-type: none"> • Monday to Friday 10am – 5pm • Saturday 10am – 1pm 	The library was available throughout the year.
To achieve a surveyed community satisfaction level, for the library, better than 90%.	The surveyed community satisfaction level was 84%.
To achieve a surveyed community satisfaction level, for the swimming pool, better than 71%.	The surveyed community satisfaction level was 91%.
To make the swimming pool complex available for use for a minimum of 48 weeks of the year	The swimming pool complex was available for all but 10 days due to maintenance.
To carry out daily water quality checks in the main pool while the pool facilities are available for public use and achieve 95% compliance with Part 1 NZS 5826.	Water quality in the main pool complied with Part 1 NZS: 5826 in 99% of the samples taken. Samples were tested on a daily basis.
To achieve a surveyed community satisfaction level, for public halls, better than 67%.	The surveyed community satisfaction level was 78%.
To provide three community halls that are available for use 50 weeks of the year.	The three community halls were available throughout the year.
To have the town centre toilets manned seven days a week.	The town centre toilets were open and manned every day except Christmas Day.
To achieve a surveyed community satisfaction level, for parks and reserves, better than 94%.	The surveyed community satisfaction level was 90%. The satisfaction rating has improved by 1% from 2006. Kawerau residents generally have high expectations of the facilities and beautification provided and survey respondents have suggested that there is a need for better upkeep and improvements

To receive two favourable reports from the New Zealand Turf Culture Institute on the condition of the sports fields and suitability of the playing surfaces for each sport code being catered for in winter and summer.	Two favourable reports were received in August 2006 and March 2007.
Public toilets at reserves are available when booked.	Public toilets at Prideaux Park, Firmin Field, Boyce Park, Tarawera Park and Stoneham Park were available throughout the year.
No instances of street trees being managed in contravention of Council policy or good practice.	Street trees were managed according to Council policy and good practice.
Grass on road berms is no longer than 80mm at any time during the year	While this is a difficult measure to monitor, berm mowing was undertaken on regular cycles.
Flowering bedding displays provided in high profile areas twice a year.	Flowering bedding displays were provided in high profile areas from August 2006 to September 2006 and from March 2007 to April 2007.

Notes

1. The information contained in the above summary has been extracted from the Kawerau District Council Annual Report dated 31 October 2007.
2. This summary does not provide as complete an understanding as the Annual Report, which may be viewed on our website at www.kaweraudc.govt.nz, or obtained from the District Office.
3. The Kawerau District Council Annual Report was audited by Audit New Zealand, which provided an Unqualified Opinion. This summary report has also been examined by Audit New Zealand for consistency with the full report, and has been given an Unqualified Opinion.

Explanation of transition to NZ IFRS

Transition to NZ IFRS

KDC's financial statements for the year ended 30 June 2007 are the first financial statements that comply with NZ IFRS. KDC has applied NZ IFRS 1 in preparing these financial statements.

KDC's transition date is 1 July 2005. KDC prepared its opening NZ IFRS balance sheet at that date. The reporting date of these financial statements is 30 June 2007. The KDC's NZ IFRS adoption date is 1 July 2006.

In preparing these financial statements in accordance with NZ IFRS 1, KDC has applied the mandatory exceptions and certain optional exemptions from full retrospective application of NZ IFRS.

Exemptions from full retrospective application elected by KDC

KDC has elected to apply the following optional exemptions from full retrospective application:

a) Fair value as deemed cost exemption

KDC has elected to measure land under roads at fair value as at 1 July 2005 and use that fair value as the deemed cost at that date.

b) Designation of financial assets and financial liabilities exemption

KDC designated various securities as financial assets at fair value through equity at the date of transition to NZ IFRS.

KDC is required to make the following mandatory exception from retrospective application:

a) Estimates exception

Estimates under NZ IFRS at 1 July 2005 are consistent with estimates made for the same date under previous NZ GAAP.

Reconciliation of equity

The following table shows the changes in equity, resulting from the transition from previous NZ GAAP to NZ IFRS as at 1 July 2005 and 30 June 2006.

	Note	Previous NZ GAAP 1 July 2005 \$	Effect on transition to NZ IFRS 1 July 2005 \$	NZ IFRS 1 July 2005 \$	Previous NZ GAAP 30 June 2006 \$	Effect on transition to NZ IFRS 30 June 2006 \$	NZ IFRS 30 June 2006 \$
ASSETS							
Current assets							
Cash and cash equivalents	a	2,453,089	(80,000)	2,373,089	2,886,402	(80,000)	2,806,402
Trade and other receivables	b	943,341	55,421	998,762	687,612	55,289	742,901
Inventories		42,974		42,974	42,974		42,974
Other financial assets	a		80,000	80,000		80,000	80,000
Total current assets		3,439,404	55,421	3,494,825	3,616,988	55,289	3,672,277
Non-current assets							
Property, plant and equipment	c, d	43,085,142	29,232	43,114,374	42,461,216	(111,337)	42,349,879
Intangible assets	d		5,232	5,232		125,490	125,490
Other financial assets	e	31,161		31,161	31,161		31,161
Total non-current assets		43,116,303	34,464	43,150,767	42,492,377	14,153	42,506,530
Total assets		46,555,707	89,885	46,645,592	46,109,365	69,442	46,178,807

		Previous NZ GAAP	Effect on transition to NZ IFRS	NZ IFRS	Previous NZ GAAP	Effect on transition to NZ IFRS	NZ IFRS
	Note	1 July 2005	1 July 2005	1 July 2005	30 June 2006	30 June 2006	30 June 2006
		\$	\$	\$	\$	\$	\$
LIABILITIES							
Current liabilities							
Trade and other payables		998,162		998,162	1,138,618		1,138,618
Finance Leases	c		19,801	19,801		12,748	12,748
Provisions	f		30,000	30,000		30,000	30,000
Employee benefit liabilities	g	145,031	1,989	147,020	138,191	1,467	139,658
Borrowing		42,363		42,363	435		435
Total current liabilities		1,185,556	51,790	1,237,346	1,277,244	44,215	1,321,459
Non-current liabilities							
Finance Leases	c		14,663	14,663		1,914	1,914
Provisions	f	149,052	(30,000)	119,052	128,942	(30,000)	98,942
Employee benefit liabilities		190,156		190,156	87,297		87,297
Borrowing		3,665		3,665	3,230		3,230
Total non-current liabilities		342,873	(15,337)	327,536	219,469	(28,086)	191,383
Total liabilities		1,528,429	36,453	1,564,882	1,496,713	16,129	1,512,842
RATEPAYER EQUITY							
Retained earnings	e, g, h	31,780,867	10,527,072	43,307,939	31,029,503	10,526,953	41,556,456
Other reserves	h	13,246,411	(10,473,640)	2,772,771	13,583,149	(10,473,640)	3,109,509
Total equity attributable to Kawerau District Council		45,027,278	53,432	45,080,710	44,612,652	53,313	44,665,965

Explanatory notes – Reconciliation of equity

a. Cash & Cash Equivalents

One short-term deposit with a maturity date greater than three months has been reclassified as loans and receivables within other financial assets in terms of NZ IFRS.

b. Trade & Other Receivables

Under NZ IFRS, provisions for the impairment of debtors must be based on proven risk of impairment rather than general provisions. As rates debtors can ultimately be recovered, if necessary, by rating sale and dog infringement fines are recoverable through the courts, provisions previously held for these under GAAP have been written back except in respect of debtors unable to be traced by the courts. The amount written back on transition to IFRS is \$55,421 and as at 30 June 2006 is \$55,289.

c. Finance Leases

Leases of photocopiers and telephone equipment treated as operating leases under previous NZ GAAP have been reclassified as finance leases under NZ IFRS. The value of outstanding leases on transition to NZ IFRS is \$34,464 and at 30 June 2006 is \$14,662.

d. Intangible Assets

Computer software was classified as part of property, plant and equipment under previous NZ GAAP. The net book value of computer software reclassified as an intangible asset on transition to NZ IFRS is \$5,232 and at 30 June 2006 is \$125,490.

e. Other Financial Assets

KDC's investment in the Local Government Insurance Corporation (LGIC) was recognised at cost under previous NZ GAAP. Under NZ IAS 39, this investment is categorised as other financial assets and is held at cost.

f. Provisions

The current portion of the landfill provision has been reclassified from non-current liabilities. The value of the current portion was \$30,000 at both 30 June 2005 and 30 June 2006.

g. Sick Leave

Sick leave was not recognised as a liability under previous NZ GAAP. NZ IAS 19 requires KDC to recognise employees' unused sick leave entitlement that can be carried forward at balance date, to the extent that KDC anticipates it will be used by staff to cover future absences.

h. Revaluation Reserve

The value of the Revaluation Reserve at 1 June 2005, the transition date, has been transferred to Retained Earnings.

Reconciliation of surplus for the year ended 30 June 2006

		Previous NZ GAAP 30 June 2006 \$000	Effect on transition to NZ IFRS 30 June 2006 \$000	NZ IFRS 30 June 2006 \$000
Income				
Rates revenue		5,012,150	5,886	5,018,036
Other revenue		1,295,637	(6,018)	1,289,619
Other gains/(losses)		217		217
Total Income		6,308,004	(132)	6,307,872
Expenditure				
Employee benefit expenses	a	1,867,044	(522)	1,866,522
Depreciation and amortisation	b,c	1,623,404	20,311	1,643,715
Other expenses	c	3,232,043	(21,788)	3,210,255
Finance costs	c	139	1,986	2,125
Total operating expenditure		6,722,630	(13)	6,722,617
Operating deficit		(414,626)	(119)	(414,745)

Explanatory notes - Reconciliation of surplus

a. Sick Leave Liability

This represents the increase in the sick leave provision, which was not recognised under previous NZ GAAP.

b. Depreciation and Amortisation

Leases recorded as operating leases under previous NZ GAAP have been reclassified as finance leases under NZ IFRS. This requires the related assets to be capitalised and the depreciation adjustment results from this.

c. Finance Leases

Under previous NZ GAAP, operating lease costs were charged to other expenses as incurred. NZ IFRS requires the reclassification of certain leases as finance leases. As a result, lease costs have been written back to other expenses and replaced by depreciation and finance costs expenses.

Statement of cash flows

On transition to NZ IFRS, the statement of cash flows for the year ended 30 June 2006 presents the increase and decrease in short term deposits with maturities of 4 – 12 months on a gross rather than a net basis and short term deposits with maturities less than 3 months are now included as part of cash and cash equivalents. This change and the reclassification of some term deposits to cash and cash equivalents has impacted on the statement of cash flows for the year ended 30 June 2006 as follows:

- The net increase in short term deposits of \$0 has changed to a gross increase of \$80,000 and gross decrease of \$80,000.
- The amount of cash and cash equivalents, including bank overdraft, has increased from \$36,304 to \$2,806,402.

There have been no other material adjustments to the statement of cash flows for the year ended 30 June 2006, on transition to NZ IFRS.