

Finance and Corporate Committee

Supplementary Agenda

Date: Thursday, 27 September, 2018

Time: 9:00 am

Location: Council Chamber
Forum North, Rust Avenue
Whangarei

Elected Members: Cr Shelley Deeming (Chairperson)
Her Worship the Mayor Sheryl Mai
Cr Stu Bell
Cr Gavin Benney
Cr Crichton Christie
Cr Vince Cocurullo
Cr Tricia Cutforth
Cr Sue Glen
Cr Phil Halse
Cr Cherry Hermon
Cr Greg Innes
Cr Greg Martin
Cr Sharon Morgan
Cr Anna Murphy

For any queries regarding this meeting please contact
the Whangarei District Council on (09) 430-4200.

4. Information Reports

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Finance and Corporate Committee – Terms of Reference

Membership

Chairperson: Councillor Shelley Deeming

Members: Her Worship the Mayor Sheryl Mai
Councillors Stu Bell, Gavin Benney, Crichton Christie, Vince Cocurullo, Tricia Cutforth, Sue Glen, Phil Halse, Cherry Hermon, Greg Innes, Greg Martin, Sharon Morgan, Anna Murphy

Meetings: Monthly

Quorum: 7

Purpose:

To oversee Council and CCO's financial management and performance, including operation of the administrative and internal support functions of council.

Key responsibilities include:

- Progress towards achievement of the council's financial objectives as set out in the Long Term Plan.
- Preparation for recommendation to council:
 - Advising and supporting the mayor on the development of the Long Term Plan (LTP) and Annual Plan (AP)
 - Financial policy related to the LTP and AP
 - Setting of rates
 - Preparation of the consultation document and supporting information, and the consultation process for the LTP and AP
 - Annual Report
- Financial/Planning and Control
 - Corporate accounting services
 - Treasury – debt and interest risk management
 - Procurement
- CCO Monitoring and Performance
 - Monitoring the financial and non-financial performance targets, key performance indicators and other measures of each Council Controlled Organisation (CCO) to inform the committee's judgement about the performance of each organisation.
 - Advising the mayor on the content of the annual Letters of Expectations (LoE) to CCOs.
- Overseeing and making decisions relating to an ongoing programme of service delivery reviews as required under section 17A of the Local Government Act 2002

- Shared Services – investigate opportunities for Shared Services for recommendation to council.

Delegations

- (i) All powers necessary to perform the committee's responsibilities, including, but not limited to:
 - (a) the approval of expenditure of less than \$5 million plus GST.
 - (b) approval of a submission to an external body.
 - (c) establishment of working parties or steering groups.
 - (d) power to establish subcommittees and to delegate their powers to that subcommittee.
 - (e) the power to adopt the Special Consultative Procedure provided for in Section 83 to 88 of the LGA in respect of matters under its jurisdiction (this allows for setting of fees and bylaw making processes up to but not including adoption).
 - (f) the power to delegate any of its powers to any joint committee established for any relevant purpose under clause 32, Schedule 7 of the Local Government Act 2002

4.6 Financial Statements for 2017-2018

Meeting: Finance and Corporate Committee
Date of meeting: 27 September 2018
Reporting officer: Dominic Kula (General Manager, Strategy and Democracy)

1 Purpose

To provide the 2017 – 2018 financial statements of Northland Events Centre Trust (NECT) and Whangarei Art Museum Trust (WAMT).

2 Recommendation

That the Finance and Corporate Committee notes the 2017/2018 financial statements of Northland Events Centre Trust (NECT) and Whangarei Art Museum Trust (WAMT).

3 Background

Section 67 of the Local Government Act (LGA) requires all Council Controlled Organisations (CCO's) to deliver to Council, within three months after the end of each financial year, a report on the organisational operations during that year.

Where exempted under Section 7 of the LGA organisations are not subject to this requirement, although their trust deed may lay down reporting requirements.

Northland Events Centre Trust (NECT)

NECT is exempt under Section 7 of the LGA and is not required to file an Annual Report.

Whangarei Art Museum Trust (WAMT)

At its meeting in December 2017, Council changed the exemption status of WAMT to 'not exempt'. WAMT's Statement of Intent for 2018 – 2019 was approved in June 2018. As a result WAMT was not required to file an annual report for 2017/18 and will be subject to the reporting requirements laid down in the act for the 2018 – 2019 financial year.

Both NECT and WAMT are however required have accounts audited annually.

4 Discussion

The financial statements for Northland Events Centre Trust (NECT) and Whangarei Art Museum Trust (WAMT) for the year ended 30 June 2018 have been prepared and are currently with Audit New Zealand for final review.

Drafts of these statements are attached to this report. Elected Members will be advised of any changes or amendments raised by Audit to either prior to or at the meeting.

5 Significance and engagement

The decisions or matters of this Agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via Agenda publication on the website.

6 Attachments

1. Draft NECT Financial Statements 2017 – 2018
2. Draft WAMT Financial Statements 2017 – 2018

**Northland Events Centre Trust
Financial statements
for the year ended 30 June 2018**

Draft

Northland Events Centre Trust

Financial statements - 30 June 2018

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Legal name

Northland Events Centre Trust (NECT).

Type of entity and legal basis

NECT is incorporated in New Zealand under the Charitable Trusts Act 1957. NECT is controlled by the Whangarei District Council as a council controlled organisation as defined in section 6 of the Local Government Act 2002. NECT is an exempt organisation under Section 7 of the Local Government Act 2002.

Purpose

The primary objective of NECT is the operation and maintenance of a high quality multi purpose events centre. This includes providing a regional sporting, cultural, convention and events centre for use by sports bodies and codes, arts, musical, social and cultural organisations, public bodies and community organisations for the benefit of the public of the region and to enable NECT to be used for a wide range of activities and events.

Structure of the Trust's operations, including governance arrangements

NECT comprises a Board of five trustees who oversee the governance and management of the Northland Events Centre (NEC). Four trustees are appointed by the Whangarei District Council and one trustee is appointed by the Northland Regional Council. The Trust presently consists of four trustees due to the mid-term resignation of the then Chairperson. The process is underway to appoint a new trustee. The Whangarei District Council is contracted under a management agreement to manage operations with the Venue and Events Manager responsible for the day-to-day operations of NEC.

Main sources of cash and resources

Revenue from operations and commercial rentals are the primary source of funding to NECT.

Outputs

NECT provides opportunities for the Northland region to have a quality, well planned and fully equipped venue for major sporting, entertainment, cultural and family events. The venue has a capacity of 18,500. NECT is also charged to exhibit and provide a sense of social and environmental responsibility having regard to the interests of the community as a whole.

Authorisation

The Board of Northland Events Centre Trust authorised these financial statements presented on the following pages 3 to 11.

For and on behalf of the Board.

 Trustee
 Date

 Manager
 Date

Northland Events Centre Trust
Statement of financial performance
For the year ended 30 June 2018

Statement of financial performance
For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue			
Revenue from operations	3	683,229	601,819
Council funding	2	103,315	262,216
Interest revenue		1,663	925
Total revenue		788,207	864,960
Expenditure			
Depreciation and amortisation	8	76,264	85,402
Other expenses	4	711,943	779,558
Total operating expenditure		788,207	864,960
Operating surplus/(deficit)		-	-

Summary of significant accounting policies and the accompanying notes form part of these financial statements.

Northland Events Centre Trust
Statement of financial position
As at 30 June 2018

Statement of financial position
As at 30 June 2018

	Note	2018 \$	2017 \$
ASSETS			
Current assets			
Debtors and prepayments	7	65,907	173,375
Bank accounts and cash	6	239,703	32,254
Current account - Whangarei District Council		102,020	286,700
Total current assets		<u>407,630</u>	<u>492,329</u>
Property, plant and equipment	8	502,756	506,223
Total non-current assets		<u>502,756</u>	<u>506,223</u>
Total assets		<u>910,386</u>	<u>998,552</u>
LIABILITIES			
Creditors and accrued expenses	9	92,750	180,916
Total current liabilities		<u>92,750</u>	<u>180,916</u>
Total liabilities		<u>92,750</u>	<u>180,916</u>
Net assets		<u>817,636</u>	<u>817,636</u>
EQUITY			
Contributed equity	5	10	10
Accumulated funds	5	331,577	407,841
Other reserves	5	486,049	409,785
Total equity		<u>817,636</u>	<u>817,636</u>

Summary of significant accounting policies and the accompanying notes form part of these financial statements.

Northland Events Centre Trust
Cash flow statement
For the year ended 30 June 2018

Cash flow statement

For the year ended 30 June 2018

	2018 \$	2017 \$
Cash flows from operating activities		
Receipts from operations (customers and service revenue)	731,508	575,448
Council funding	287,995	154,174
Interest received	1,663	926
	<u>1,021,166</u>	<u>730,548</u>
Cash was applied to		
Payments to suppliers	(738,071)	(719,692)
Goods and services tax (net)	(2,849)	(13,432)
Total cash provided to operating activities	<u>(740,920)</u>	<u>733,124</u>
Net cash flow from operating activities	<u>280,246</u>	<u>(2,576)</u>
 Purchase and development of property, plant and equipment	 <u>(72,797)</u>	 <u>(5,974)</u>
Net cash flow from investing activities	<u>(72,797)</u>	<u>(5,974)</u>
 Net (decrease)/increase in cash, cash equivalents, and bank overdrafts	 207,449	 (8,550)
Bank accounts and cash, and bank overdrafts at the beginning of the year	<u>32,254</u>	<u>40,805</u>
Cash, cash equivalents, and bank overdrafts at the end of the year	<u>239,703</u>	<u>32,255</u>

Summary of significant accounting policies and the accompanying notes form part of these financial statements.

1 Statement of accounting policies for the year ended 30 June 2018

1.1 Reporting entity

NECT is incorporated as a trust under the Charitable Trusts Act 1957, is domiciled in New Zealand and registered under the Charities Act 2005, registration number 2515711. NECT is an exempt organisation under Section 7 of the Local Government Act 2002.

1.2 Basis of preparation

Statement of compliance

The Board has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) on the basis that NECT does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that NECT will continue to operate in the foreseeable future.

Goods and services tax

NECT is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.

Functional and presentation currency

The financial statements are presented in New Zealand dollars.

Going concern

The financial statements have been prepared on the going concern basis, with the trust reliant on Whangarei District Council's underwrite of any operating deficits as per their agreement with the Northland Regional Council. The Board receives a letter of support from the Council in order to ensure their going concern status.

Revenue and expense

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

(i) Grants

Council, government, and non-government grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

(ii) Donated assets

Revenue from donated assets is recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the value of the asset is readily obtainable and significant.

(iii) Interest revenue

Interest revenue is recorded as it is earned during the year.

(iv) Sale of goods

Revenue from the sale of goods is recognised when the goods are sold to the customer.

(v) Rental revenue

Rental revenue is measured at the fair value of consideration received or receivable. Rental revenue is received one month in advance and is recognised for the month it relates to.

(vi) Advertising, marketing, administration, overhead, and fundraising costs

These are expensed when the related service has been received.

1.3 Bank accounts and cash

Cash and cash equivalents include 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.

1.4 Debtors

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

1 Statement of accounting policies for the year ended 30 June 2018 (continued)

1.5 Property, plant and equipment

Property, plant, and equipment are recorded at cost, less accumulated depreciation and impairment losses.

(i) Donated assets

Donated assets are recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the current value of the asset is readily obtainable and significant. Significant donated assets for which current values are not readily obtainable are not recognised

(ii) Asset sales

For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount.

(iii) Use of assets

For an asset to be used by the Trust, the asset is impaired if the value to the Trust in using the asset falls below the carrying amount of the asset.

Depreciation

Depreciation is provided on a straight-line basis at rates that will write off the cost of the assets over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Class of PP&E	Estimated useful life	Depreciation rates
Office equipment	2-10 years	8% - 50%
Plant and equipment	6-60 years	1.6% - 33.33%
Computer equipment	2-5 years	8.08% - 50%

1.6 Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

1.7 Lease expense

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

1.8 Tier 2 PBE Accounting Standards applied

NECT has not applied any Tier 2 Accounting Standards in preparing its financial statements.

1.9 Changes in Accounting Policies

There are no changes in accounting policies.

Northland Events Centre Trust
Notes to the financial statements
30 June 2018
(continued)

2 Council funding

	2018 \$	2017 \$
Council underwrite	<u>103,315</u>	<u>262,216</u>
Total council funding	<u>103,315</u>	<u>262,216</u>

3 Revenue from operations

	2018 \$	2017 \$
Commercial revenue	229,759	176,788
Other revenue	<u>453,470</u>	<u>425,031</u>
Total revenue from operations	<u>683,229</u>	<u>601,819</u>

4 Other expenses

	2018 \$	2017 \$
Operating Expenses	696,143	762,558
Auditors fees for financial statements	15,800	15,573
Bad debts written off	-	1,427
Total other expenses	<u>711,943</u>	<u>779,558</u>

5 Equity

	2018 \$	2017 \$
Council capital contribution	10	10
Retained earnings	331,577	407,841
Asset replacement reserves*	<u>486,049</u>	<u>409,785</u>
Balance at 30 June 2018	<u>817,636</u>	<u>817,636</u>
Asset replacement reserve		
Balance at 1 July 2017	409,785	324,383
Transfer from retained earnings	<u>76,264</u>	<u>85,402</u>
Balance 30 June 2018	<u>486,049</u>	<u>409,785</u>

* The purpose of the asset replacement reserve is to fund future asset replacements.

Accumulated funds

Balance at 1 July	407,841	493,243
Transfer to asset replacement reserves	<u>(76,264)</u>	<u>(85,402)</u>
Surplus/(deficit) for the year	-	-
Balance 30 June	<u>331,577</u>	<u>407,841</u>

Northland Events Centre Trust
Notes to the financial statements
30 June 2018
(continued)

6 Bank accounts and cash

	2018 \$	2017 \$
Cash on hand	100	400
Bank deposits	<u>239,603</u>	<u>31,854</u>
Total bank accounts and cash	<u>239,703</u>	<u>32,254</u>

7 Debtors and prepayments

	2018 \$	2017 \$
Trade debtors	51,667	162,006
GST Account	13,450	10,601
Prepayments	<u>790</u>	<u>768</u>
Total debtors and prepayments	<u>65,907</u>	<u>173,375</u>

8 Property, plant and equipment

2017	Work in progress \$	Plant and equipment \$	Office equipment \$	Computer equipment \$	Total \$
Carrying amount	-	417,727	162,203	5,720	585,650
Balance at 1 July 2017	<u>-</u>	<u>417,727</u>	<u>162,203</u>	<u>5,720</u>	<u>585,650</u>
Year ended 30 June 2017					
Additions	-	5,974	-	-	5,974
Depreciation charge	-	(52,002)	(32,026)	(1,374)	(85,402)
Asset class transfers	-	-	-	-	-
Balance as at 30 June 2017	<u>-</u>	<u>371,699</u>	<u>130,177</u>	<u>4,346</u>	<u>506,222</u>
2018	Work in progress \$	Plant and equipment \$	Office equipment \$	Computer equipment \$	Total \$
Opening balance as at 1 July 2017	<u>-</u>	<u>371,699</u>	<u>130,177</u>	<u>4,346</u>	<u>506,222</u>
Year ended 30 June 2018					
Additions	18,095	35,858	18,845	-	72,798
Depreciation charge	-	(42,150)	(33,220)	(893)	(76,264)
Asset class transfers	-	-	-	-	-
Balance at 30 June 2018	<u>18,095</u>	<u>365,407</u>	<u>115,802</u>	<u>3,453</u>	<u>502,756</u>

There are no restrictions over the title of the NECT's property, plant and equipment, nor are any property, plant and equipment pledged as security for liabilities.

9 Creditors and accrued expenses

	2018 \$	2017 \$
Accrued expenses	15,800	8,573
Trade creditors	67,085	97,323
Rent in advance	3,348	6,500
Income in advance	6,517	68,520
Total creditors and accrued expenses	92,750	180,916

10 Contingencies

NECT has no contingent liabilities (2018: nil) and no contingent assets (2017: nil)

11 Commitments

Operating lease commitments as a lessee

NECT leases property, plant, and equipment in the normal course of its business. The future aggregate minimum lease payments payable under existing operating leases are as follows:

	2018 \$	2017 \$
Not later than one year	88,970	88,970
Later than one year and not later than two years	90,492	90,492
Later than two years and no later than five years	32,477	122,969
Total non-cancellable operating leases	211,939	302,431

12 Trustee fees

All trustees work on a voluntary basis and receive no fees (2017: nil).

13 Related party transactions

The related party disclosures below are for transactions that are not within a normal supplier or client/recipient relationship. This means that the terms and conditions on those transactions are either more or less favourable than those expected in normal transaction. Any other related party transactions are no more or less favourable.

Related party transactions significant to the Trust requiring disclosure

In terms of the agreement with Northland Regional Council, Whangarei District Council is responsible for underwriting any operating shortfalls in NECT operations. Underwriting of \$103,315 (2017: \$262,216) was provided from Council to NECT. These amounts are disclosed in the Statement of Financial Performance. An amount of \$102,020 was outstanding at 30 June 2018 (2017: \$286,700).

14 Events occurring after the balance date

There were no events after the balance sheet date 30 June 2018 (2017 nil).

15 Explanation of major variances against budget

Section 64 of the Local Government Act requires a Council Controlled Organisation to prepare a Statement of Intent that complies with Clause 9 of Schedule 8. Section 7 gives Local Authorities the power to exempt a small organisation, by way of a council resolution, after taking into account the matters specified in section 7. On 27 May 2015 Northland Events Centre Trust was exempted as a Council Controlled Organisation and accordingly does not prepare a Statement of Intent resulting in no variance reporting against budget.

Auditors' Report

To the customers of Northland Events Centre Trust

Draft

**Whangarei Art Museum Trust
Financial statements
for the year ended 30 June 2018**

Draft

Whangarei Art Museum Trust

Financial statements - 30 June 2018

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Entity Information**Legal name**

Whangarei Art Museum Trust (WAMT).

Type of entity and legal basis

WAMT is incorporated in New Zealand under the Charitable Trusts Act 1957. WAMT is controlled by the Whangarei District Council and is a council controlled organisation as defined in section 6 of the Local Government Act 2002.

WAMT's objective

WAMT actions and directions are determined by the Trust Deed which details the objectives of WAMT. These include the operation of the museum and the requirement to support and stimulate the artistic and cultural life of the Whangarei District. WAMT is fundraising for the Hundertwasser Art Centre with Wairau Maori Art Gallery (HWMAC) project as detailed in Note 14.

Structure of the Trust's operations, including governance arrangements

WAMT comprises a Board of seven Trustees who oversee the governance of the Trust, four approved by the Whangarei District Council and three are appointed by WAMT directly. An Art Museum Director is responsible for the day-to-day operations of WAMT, and three other part time staff plus volunteers who support the Director in delivering against the WAMT's objectives.

Main sources of the Trust's cash and resources

Operating grants received from Whangarei District Council and central government agencies are the primary sources of WAMT funding, in addition to other national and district charitable funding sources. WAMT also receives funding through donations to be used specifically for the HWMAC.

WAMT's Outputs

WAMT displays WAMT and Council owned art and facilitates art exhibitions for the general public.

Authorisation

The Board of the Whangarei Art Museum Trust authorised these financial statements presented on the following pages 3 to 16.

For and on behalf of the Board.

Chairperson
27 September 2018

Trustee
27 September 2018

Whangarei Art Museum Trust
Statement of financial performance
For the year ended 30 June 2018

Statement of financial performance
For the year ended 30 June 2018

	Note	Actual 2018 \$	Actual 2017 \$
Revenue			
Donations	3	5,291,606	352,972
Council funding	4	3,490,332	483,000
Other revenue	5	2,376	6,267
Interest revenue	6	47,499	25,181
Total revenue		8,831,813	867,420
Expenditure			
Employee related costs	8	136,731	172,495
Depreciation and amortisation	12	19,195	16,019
Other expenditure	7	643,505	324,631
Total operating expenditure		799,431	513,145
Surplus/(deficit)		8,032,382	354,275
Surplus/(deficit) attributable to:			
Whangarei Art Museum Trust	9	43,316	(1,207)
HWMAC		7,989,066	355,482
		8,032,382	354,275

Summary of significant accounting policies and the accompanying notes form part of these financial statements

Whangarei Art Museum Trust
Statement of financial position
As at 30 June 2018

Statement of financial position
As at 30 June 2018

	Note	Actual 2018 \$	Actual 2017 \$
ASSETS			
Current assets			
Bank accounts and cash	10	4,001,506	1,501,459
Debtors	11	3,418,576	40,341
Total current assets		<u>7,420,082</u>	<u>1,541,800</u>
Property, plant and equipment	12	2,839,316	1,203,058
Total non-current assets		<u>2,839,316</u>	<u>1,203,058</u>
Total assets		<u>10,259,398</u>	<u>2,744,858</u>
LIABILITIES			
Employee cost payable		8,334	5,114
Creditors and accrued expenses	13	937,184	1,458,246
Total current liabilities		<u>945,518</u>	<u>1,463,360</u>
Total liabilities		<u>945,518</u>	<u>1,463,360</u>
NET ASSETS		<u>9,313,880</u>	<u>1,281,498</u>
Equity			
Retained earnings	14	9,313,870	1,281,488
Contributed equity	14	10	10
Total equity attributable to Whangarei Art Museum Trust		<u>9,313,880</u>	<u>1,281,498</u>

Summary of significant accounting policies and the accompanying notes form part of these financial statements

Whangarei Art Museum Trust
Cash flow statement
For the year ended 30 June 2018

Cash flow statement

For the year ended 30 June 2018

	Actual 2018 \$	Actual 2017 \$
Cash flows from operating activities		
Council funding	334,612	313,796
Donations received	3,528,829	1,049,311
Other revenue	2,176	6,077
Payments to suppliers and employees	242,385	(372,743)
Interest received	47,499	25,181
	<u>4,155,501</u>	<u>1,021,622</u>
Cash flows from investing activities		
Purchase of PPE	<u>(1,655,454)</u>	<u>(552,809)</u>
	<u>(1,655,454)</u>	<u>(552,809)</u>
Net (decrease)/increase in cash, cash equivalents, and bank overdrafts	2,500,047	468,813
Bank accounts and cash, and bank overdrafts at the beginning of the year	<u>1,501,459</u>	<u>1,032,646</u>
Cash, cash equivalents, and bank overdrafts at the end of the year	<u>4,001,506</u>	<u>1,501,459</u>

Summary of significant accounting policies and the accompanying notes form part of these financial statements

1 Statement of accounting policies for the year ended 30 June 2018

1.1 Reporting entity

The Whangarei Art Museum Trust (WAMT) is incorporated as a trust under the Charitable Trusts Act 1957, is domiciled in New Zealand and registered under the Charities Act 2005, registration number CC28917. It is an exempt organisation under Section 7 of the Local Government Act 2002.

2 Summary of significant accounting policies

2.1 Basis of preparation

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that WAMT will continue to operate in the foreseeable future.

The financial statements have been prepared on a going concern basis. WAMT is reliant on Council's continued support of its operations. Council has included funding for WAMT in its 2018-2028 Long - Term Plan. The level of funding for the 2019/2020 financial year is expected to assume the same level of funding. Funding is reviewed on an annual basis. WAMT has also received a letter of support from Council to ensure its going concern basis for a period of one year from the date of the approval of these financial statements.

The exemption previously granted to WAMT has been revoked from the 18/19 financial year and as a result WAMT is required to comply with the reporting requirements prescribed in the Local Government Act.

The Board has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) on the basis that WAMT does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

Goods and services tax

WAMT is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.

Functional and presentation currency

The financial statements are presented in New Zealand dollars.

Revenue and expenses

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

(i) Grants and donations

Grants and donations are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

(ii) Pledges

Pledges are not recognised as revenue as WAMT is unable to control the access to the funds. Pledges are disclosed as a contingent asset when the money is pledged and recognised as revenue when the pledged money is received.

(iii) Donated assets

Revenue from donated assets is recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the value of the asset is readily obtainable and significant.

(iv) Interest income

Interest revenue is recorded as it is earned during the year.

v) Sale of goods

Revenue from the sale of goods is recognised when the goods are sold to the customer.

(vi) Volunteer services

Volunteer services received are not recognised as revenue or expenditure as WAMT is unable to reliably measure the fair value of the services received.

(vii) Advertising, marketing, administration, overhead, and fundraising costs

These are expensed when the related service has been received.

2 Summary of significant accounting policies (continued)

2.2 Bank accounts and cash

Bank accounts and cash include 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.

2.3 Debtors

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

2.4 Property, plant and equipment

Property, plant, and equipment (excluding donated assets) are recorded at cost, less accumulated depreciation and impairment losses. WAMT does not revalue its property, plant and equipment. WAMT undertakes periodic impairment assessments of its property, plant and equipment.

(i) Artworks and donated assets

Purchased artworks are recognised at cost. Donated assets are recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the current value of the asset is readily obtainable and significant. Significant donated assets for which current values are not readily obtainable are not recognised. Artworks have an indefinite useful life and are not depreciated. Impairment is recognised if identified as below.

(ii) Asset sales

For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount.

(iii) Use of assets

For an asset to be used by the Trust, the asset is impaired if the value to the Trust in using the asset falls below the carrying amount of the asset.

Depreciation

Depreciation is provided on a straight-line basis at rates that will write off the cost of the assets over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Class of PP&E	Estimated useful life	Depreciation rates
Leasehold improvements	10-100 years	1%-10%
Office equipment	2-10 years	20%-50%
Plant and equipment	6-60 years	1.6%-17%
Computer equipment	2-5 years	20%-50%
Artworks	Indefinite	-

2.5 Investments

Investments comprise investments in term deposits with banks, listed bonds, and listed shares.

Deposits with banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered, it is written down to the expected recoverable amount.

2.6 Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

2.7 Lease expense

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

2.8 Tier 2 PBE Accounting Standards applied

WAMT has not applied any Tier 2 Accounting Standards in preparing its financial statements.

2 Summary of significant accounting policies (continued)

2.9 Changes in Accounting Policies.

WAMT has changed its revenue recognition policy for grants and donations.

3 Donations

	Actual 2018 \$	Actual 2017 \$
Donations - general	3,452	4,225
Donations - HWMAC	<u>5,288,154</u>	<u>348,747</u>
Total Donations	<u>5,291,606</u>	<u>352,972</u>

Donations for HWMAC are explained in note 14.

4 Council funding

	Actual 2018 \$	Actual 2017 \$
Council funding	<u>3,490,332</u>	483,000
Total council funding	<u>3,490,332</u>	<u>483,000</u>

Grants received from Council relate to an annual operating grant of \$ 337,000 (2017: \$310,000) and a rent concession of \$170,332 (2017: \$167,000). In addition, Council has also reimbursed WAMT \$6,000 of its audit fee for the 2018 year (2017: \$6,000).

In addition to the above, during the 2018 year Council also provided \$2,977,000 towards the HWMAC Project (Old Harbour Board Development).

5 Other revenue

	Actual 2018 \$	Actual 2017 \$
Other grants	-	2,898
Other	<u>2,376</u>	<u>3,369</u>
Total other revenue	<u>2,376</u>	<u>6,267</u>

Whangarei Art Museum Trust
Notes to the financial statements
30 June 2018
(continued)

6 Interest revenue

	Actual 2018 \$	Actual 2017 \$
Interest received - general	765	681
Interest received - HWMAC	<u>46,734</u>	<u>24,500</u>
Total interest received	<u>47,499</u>	<u>25,181</u>

7 Other expenses

	Actual 2018 \$	Actual 2017 \$
Rent paid	170,332	167,000
Other expenses	85,703	84,447
Exhibition costs	46,233	37,269
Management fees	10,000	15,000
Auditors fees for 2018 financial statements	15,180	15,000
Additional fees in relation to audit of 2017 financial statements	47	3,000
Other expenses - HWMAC	<u>316,010</u>	<u>2,915</u>
Total other expenses	<u>643,505</u>	<u>324,631</u>

8 Employee related costs

	Actual 2018 \$	Actual 2017 \$
Salaries and wages	<u>136,731</u>	<u>172,495</u>
Total employee related costs	<u>136,731</u>	<u>172,495</u>

9 WAM Gallery Operations

The surplus from the WAM operations is mainly attributable to vacant headcount which has not been reappointed due to the organisations transition to the new HAC structure.

10 Bank accounts and cash

	Actual 2018 \$	Actual 2017 \$
Cash on hand	200	200
Bank balances - general	115,560	91,914
Bank balances - HWMAC	<u>3,885,746</u>	<u>1,409,345</u>
Total bank accounts and cash	<u>4,001,506</u>	<u>1,501,459</u>

Bank balances - HWMAC are explained in note 14.

Whangarei Art Museum Trust
Notes to the financial statements
30 June 2018
 (continued)

11 Debtors and other receivables

	Actual 2018 \$	Actual 2017 \$
Sundry debtors	409,290	10,443
Receivables	<u>3,009,286</u>	<u>29,898</u>
Total debtors and other receivables	<u>3,418,576</u>	<u>40,341</u>

Draft

12 Property, plant and equipment

2018	Plant and equipment \$	Leasehold improvement s \$	Office equipment \$	Artwork \$	Work in progress \$	Total \$
Carrying amount	82,701	16,450	16,681	438,179	112,260	666,271
Balance at 1 July 2016	<u>82,701</u>	<u>16,450</u>	<u>16,681</u>	<u>438,179</u>	<u>112,260</u>	<u>666,271</u>
Year ended 30 June 2017						
Additions	-	271,811	-	-	552,805	824,616
Disposals	-	-	-	-	(271,811)	(271,811)
Depreciation charge	(8,378)	(4,953)	(2,687)	-	-	(16,018)
Balance at 30 June 2017	<u>74,323</u>	<u>283,308</u>	<u>13,994</u>	<u>438,179</u>	<u>393,254</u>	<u>1,203,058</u>
Balance as at 1 July 2017	<u>74,323</u>	<u>283,308</u>	<u>13,994</u>	<u>438,179</u>	<u>393,254</u>	<u>1,203,058</u>
Additions	1,155	-	-	-	1,655,453	1,656,608
Disposals	-	-	-	-	(1,155)	(1,155)
Depreciation charge	(8,591)	(7,917)	(2,687)	-	-	(19,195)
Balance at 30 June 2018	<u>66,887</u>	<u>275,391</u>	<u>11,307</u>	<u>438,179</u>	<u>2,047,552</u>	<u>2,839,316</u>

Work in progress relates to costs associated with the design and construction phase of the HWMAC project. This is explained in note 14.

Included in the artwork asset class are a number of donated assets recorded at nil value because values are not readily obtainable.

There are no restrictions over the title of the WAMT's property, plant and equipment, nor are any property, plant and equipment pledged as security for liabilities.

13 Creditors and accrued expenses

	Actual 2018 \$	Actual 2017 \$
Accrued expenses	676,414	98,524
Trade creditors	260,770	-
Income in advance - general	-	1,099
Income in advance - HWMAC	-	1,358,623
Total creditors and accrued expenses	937,184	1,458,246

Income in advance - HWMAC is explained in note 14.

14 Equity

	Actual 2018 \$	Actual 2017 \$
a) Equity		
Retained earnings	9,313,870	1,281,488
Capital contribution	10	10
Balance at 30 June 2018	9,313,880	1,281,498
b) Retained earnings		
Balance at 1 July	1,281,488	927,213
Surplus/(deficit) for the year	8,032,382	354,275
Balance 30 June	9,313,870	1,281,488
c) Contributed equity		
Capital contribution	10	10
Balance 30 June	10	10

15 Contingencies

WAMT has no contingent liabilities (2017: nil)

Contingent Assets

Hundertwasser Art Centre Wairau Maori Art Gallery (HWMAC) Background

In 1993, artist Friedensreich Hundertwasser was invited by the then Mayor of Whangarei to design an art centre for the city. He chose the former Northland Harbour Board building in the Town Basin (the Building).

Council considers that it is important to have a high level of transparency around the project and its funding.

Referendum

After several years of debate a binding referendum was held in June 2015 in regards to the use of the Building. A majority voted for HWMAC as the Whangarei District Community's preferred option for re-development. As a condition of the referendum, there was a two-year period to June 2017 in which to raise the required funding needed. By June 2017 WAMT with the assistance of the Prosper Northland Trust (PNT) reached the required funding target. Donations and pledges came from the government, general public, community groups, corporates, businesses and the Lotteries Commission. The terms of the referendum have been met and the project has been initiated, and the re-development works have commenced.

15 Contingencies (continued)

Operator and Guarantees and Indemnities

Whangarei Art Museum Trust (WAMT), a CCO of Whangarei District Council will operate the HWMAC on an on-going basis once re-development is completed.

There is no intention for Council to provide funding for operating costs of the HWMAC. Once HWMAC begins operation Prosper Northland Trust has underwritten the operating costs of the HWMAC up to \$500,000 per year, and a total of \$2 million over a ten year period. Council is satisfied that the underwrites are appropriate and will be in place once HWMAC begins operation.

The guarantee is for trading losses/operating deficits and re-entry and termination costs up to a maximum liability for the first 7 years of \$2.0 million. The guarantee will become live on the opening of Hundertwasser to the public.

There are three effective guarantors of the liability:

Westpac is the first guarantor with a minimum liability of \$750 thousand and a maximum liability of \$1.25 million dependent upon when it crystallises its guarantee. To facilitate the establishment of the guarantee WAMT will deposit \$1.0 million with Westpac ("First Bond").

WAMT is the second guarantor by way of a cash bond of an initial sum of \$250 thousand and any balance of the "First Bond", following crystallisation by Westpac of its liability, payable only after the costs exceeds \$750 thousand or such other sum payable by Westpac as the first guarantor, whichever is the greater.

The Ngatiwai Trust Board ("Ngatiwai") is the third guarantor up to a maximum of \$750 thousand payable only after the costs exceed \$1.25 million or such other total sum payable by Westpac and the Trust (as the first and second guarantors respectively), whichever is greater.

The quantum of Ngatiwai's liability is dependent upon the quantum at which the guarantee from Westpac is crystallised as Westpac's liability is set at a minimum of \$750 thousand and a maximum of \$1.25 million.

In no case shall the total amount payable by the guarantors exceed \$2 million.

At the expiration of the 7th year from the commencement of the Term, the guarantors' total liability shall reduce from \$2.0 million to \$1.5 million (and \$500 thousand each year thereafter).

Tender Process

A tender process for the HWMAC construction contract was held in at the end of 2017 and in early 2018. The construction contract has been awarded to Trigg Construction Limited. The building consent has been issued by Council. The tender process and the building consent process has determined a finalised project cost of \$29.09 million.

The land and the building

Council owns the land and the former Harbour Board building. The building is currently recognised by Council at a nil value because it requires seismic strengthening and is presently not habitable.

Extensive engineering for seismic strengthening being additional structural foundations to support HWMAC on the reclaimed land was required. As a result, it was determined it was not feasible to redevelop the building, so the building will be deconstructed.

Lease and Ownership of the HWMAC Structure

Council and WAMT have entered into a Lease for the HWMAC. The Lease has a nominal annual rental of \$1 and a lease term of 34 years and 11 months. The lease commenced on 11 June 2018 and expires on 11 May 2052. The portion of land being leased has not been subdivided and is part of a wider parcel owned by council. It would have been Council's preference to lease the land in-perpetuity but under the Resource Management Act, 35 years is the maximum period that a lease can be issued for a sub parcel of land. WAMT will retain substantially all the risk and rewards incidental to ownership of the HWMAC building. Due to this control, WAMT will recognise the HWMAC building in it's financial statements.

15 Contingencies (continued)

Council funding for the project

Council spent an initial sum of \$1.1m between 2011 to 2013 on consents and other pre-project costs for the project. Council provided for additional partial capital funding for "Old Harbour Board Development" in the 2015-25 Long-Term Plan of \$1.4 million in year three (2017-18 - inflated \$) and \$1.5 million in year four (2018-19 - inflated \$), a total of \$2.9 million. This Council funding is factored in as part of the required funding for the project. It has been determined that Council will not own any part of HWMAC, so consequently it was determined that it was more appropriate to provide the funding to the project as a grant. This grant is included in the 2017-18 financial statements.

Donations and Contributions

At 30 June 2018, the total amount of money collected and held by WAMT combined with councils contribution and the net pledges was \$29.2m (including interest received of \$87k)

Category	Amount (\$000)
Donations/Pledges	5,763
Council contribution	4,077
Pledges	<u>19,306</u>
	<u>29,146</u>

1. Donations/Pledges

These consists of two components:

- Donations received. these are donations that have been received and treated as revenue. At 30 June 2018 the total amount of donations collected was: \$5.3m
- Pledges receivable. These are pledges that have been received by WAMT and all the conditions have been fulfilled. They have not been collected and therefore recognised as revenue. At 30 June 2018 the total amount of pledges receivable was: \$403k

2. Council contribution.

Council spent an initial sum of \$1.1m between 2011 to 2013 on consents and other pre project costs.

Council provided a total of \$2.977m for funding of the development of the 'Old Harbour Board Development' in the 2015-25 Long-Term Plan. This amount was recognised as a grant receivable from WDC at the end of June 2018.

This funding is factored in as part of the required funding for the project. At 30 June 2018 the total amount of council funding was: \$4.1 million.

3. Pledges

As all the conditions of the Referendum have been met and the project has commenced, remaining pledges are in essence unconditional, although subject to individual funding agreements. When money is received as part of an overall pledge amount it becomes a donation and recognised as revenue. Remaining pledges do not meet the definition of an asset so are not recorded as an asset of WAMT (as per IPSAS 23). Instead, pledges have been disclosed as a contingent asset in the below table (as per IPSAS 19).

Pledges have an element of uncertainty of collection so the collectability of pledges needs to be assessed. As at 30 June 2018 the pledges have been assessed and analysed as follows:

Pledge Source	Pledged (\$000)	Collectability %	Net Pledge (\$000)
Government	13,940	100 %	13,940
Local Government	1,500	100 %	1,500
Lotteries	1,750	100 %	1,750
Corporates	240	100 %	240
Charitable Trusts	1,557	100 %	1,557
Professional firms	102	100 %	102
General public	217	90 %	195
Total	<u>19,306</u>		<u>19,284</u>

15 Contingencies (continued)

There are in kind trade products and services that have been or will be donated to the overall project. All in-kind trade products & services provided were of a minor nature and therefore have not been quantified.

Professional services – various professional services in the form of time have and will continue to be donated to the overall project. These include, legal, accounting, project and other management, planning, architectural, design etc. As at 30 June 2018, material professional services to the value of \$261k have been quantified and recognised.

16 Other guarantees

Payroll services are outsourced to Payroll Plus Ltd, who require a letter of credit for \$7,500 as guarantee that any direct debits up to this amount will be honoured.

17 Capital commitments and operating leases

Capital commitments

WAMT have capital commitments of \$20,625,870 as at 30 June 2018 (2017: \$nil).

	Actual 2018 \$	Actual 2017 \$
Capital commitments		
HWMAC Project (see note 15 above)	<u>20,625,870</u>	-
Total capital commitments	<u>20,625,870</u>	-

Operating leases as lessee

WAMT leases property as part of its normal course of business. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	Actual 2018 \$	Actual 2017 \$
Not later than one year	171,001	170,332
Later than one year and not later than five years	370,504	541,500
Later than five years	<u>29</u>	-
Total non-cancellable operating leases	<u>541,534</u>	<u>711,832</u>

The operating lease consists of the annual rental paid to Council. WAMT also receives a rent concession of the same amount from Council. The lease was renewed for a 5-year period, in accordance with the deed of renewal and variation of lease.

New Lease

Council and WAMT have entered into a lease for the HWMAC. The lease has a nominal annual rental of \$1 and a lease term of approximately 35 years.

18 Trustee fees

All trustees work on a voluntary basis and receive no fees (2017: nil).

19 Related party transactions

The related party disclosures below are for transactions that are not within a normal supplier or client/recipient relationship. This means that the terms and conditions on those transactions are either more or less favourable than those expected in a normal transaction. Any other related party transactions are no more or less favourable.

Related party transactions significant to WAMT requiring disclosure

	Actual 2018 \$	Actual 2017 \$
Receipts received from Council		
Grants	<u>3,490,332</u>	<u>483,000</u>
Details of grants received from Council are detailed in note 4.		
	Actual 2018 \$	Actual 2017 \$
Grants outstanding	<u>3,011,083</u>	<u>31,833</u>
Balance at 30 June	<u>3,011,083</u>	<u>31,833</u>

The grants payable to WAMT of \$3,011,083 (2017: \$31,833) at balance date relates to Council's share of WAMT's audit fee (\$6k), annual operating grant outstanding (\$28,083) and Hundertwasser Arts Centre Grant (Old Harbour Board Development) outstanding (\$2,977,000).

20 Events occurring after the balance date

There were no events after the balance sheet date (2017 nil).

21 Explanation of major variances against budget

Section 64 of the Local Government Act requires a Council Controlled Organisation to prepare a Statement of Intent that complies with Clause 9 of Schedule 8. Section 7 gives Local Authorities the power to exempt a small organisation, by way of a council resolution, after taking into account the matters specified in section 7. On 27 May 2015 Whangarei Art Museum Trust was exempted as a Council Controlled Organisation and accordingly does not prepare a Statement of Intent resulting in no variance reporting against budget.

RESOLUTION TO EXCLUDE THE PUBLIC

That the public be excluded from the following parts of proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

1.	The making available of information would be likely to unreasonably prejudice the commercial position of persons who are the subject of the information. {Section 7(2)(c)}
2.	To enable the council (the committee) to carry on without prejudice or disadvantage commercial negotiations. {(Section 7(2)(i))}.
3.	To protect the privacy of natural persons. {Section 7(2)(a)}.
4.	Publicity prior to successful prosecution of the individuals named would be contrary to the laws of natural justice and may constitute contempt of court. {Section 48(1)(b)}.
5.	To protect information which is the subject to an obligation of confidence, the publication of such information would be likely to prejudice the supply of information from the same source and it is in the public interest that such information should continue to be supplied. {Section 7(2)(c)(i)}.
6.	In order to maintain legal professional privilege. {Section 2(g)}.
7.	To enable the council to carry on without prejudice or disadvantage, negotiations {Section 7(2)(i)}.

Resolution to allow members of the public to remain

If the council/committee wishes members of the public to remain during discussion of confidential items the following additional recommendation will need to be passed:

Move/Second

"That _____ be permitted to remain at this meeting, after the public has been excluded, because of his/her/their knowledge of Item _____.

This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because _____.

Note:

Every resolution to exclude the public shall be put at a time when the meeting is open to the public.