From:	Matthew Walker
To:	Alan Adcock (alana@wdc.govt.nz); Alastair Cameron; Brian Trott; Damian Zelas; David Paris; Diane Brandish (diane.brandish@ccc.govt.nz); Douglas Marshall (douglas.marshall@selwyn.govt.nz); Graham Bunn (grahamb@otodc.govt.nz); Ken Morris (ken.morris@waipadc.govt.nz); Kumaren. Perumal (Kumaren.Perumal@waipadc.govt.nz); Mark Butcher (Mark.Butcher@aucklandcity.govt.nz); Matt Potton (matt.potton@westernbay.govt.nz); Matthew Walker; Mike Timmer; Mohan Demel (mohan.demel@tauranga.govt.nz); Murray Staite (murray.staite@tasman.govt.nz); Neil Ward (nward@taupo.govt.nz); Paul Anderson (paul.anderson@ccc.govt.nz); Philip Armstrong (armstrongp@npdc.govt.nz); Tony Gray (tonyg@hdc.govt.nz); Vipul Mehta (vipul.mehta@stdc.govt.nz); Warwick Hayes (warwick.hayes@wcc.govt.nz)
Cc:	Bronwyn Koroheke; Brett Brinkworth; Fiona Ferrar; David Leong
Subject:	IMPORTANT - FW: NZLGFA guarantee liability - financial statements note disclosure
Date:	Friday, 10 August 2012 4:25:48 PM

All,

Please note that OAG have now clarified that they are expecting to see the disclosure as outlined in the email below in regards to our respective interest in LGFA. OAG have advised all appointed auditors of this position.

I appreciate this is a change from earlier guidance.

Regards,

Matthew Walker
Commercial Manager

DDI: +64 7 958 5959 | Mob: +64 21 229 4094 | Email: matthew.walker@hcc.govt.nz

Hamilton City Council
Te kaunihera o Kirikiriroa

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From: Matt Potton [mailto:Matt.Potton@westernbay.govt.nz]
Sent: Thursday, 9 August 2012 12:20 PM
To: Matthew Walker
Subject: NZLGFA guarantee liability - financial statements note disclosure

Matthew,

Approved annual report disclosure regarding the LGFA from the OAG. This has been communicated to the appointed auditors along with confirmation from the OAG that they are satisfied with the information provided.

Are you able to circulate to the wider group.

Regards

Matthew Potton
Finance Manager
Western Bay of Plenty District Council
Phone: 07 579 6673
Fax: 07 577 9820
Mob: 021 544 855
matt.potton@westernbay.govt.nz

New Zealand Local Government Funding Agency

XYZ Council is a shareholder of the New Zealand Local Government Funding Agency Limited (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+.

XYZ Council is one of 19 shareholders of the NZLGFA. In that regard it has uncalled capital of $x.xm. When aggregated with the uncalled capital of other shareholders, $20m is available in the event that an imminent default is identified. Also, together with the other shareholders, XYZ Council is a guarantor of all of NZLGFA's borrowings. At 30 June 2012, NZLGFA had borrowings totaling $835m (2011: $Nil).

Financial reporting standards require XYZ Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of NZLGFA defaulting on repayment of interest or capital to be very low on the basis that:

- We are not aware of any local authority debt default events in New Zealand; and
- local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

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