5.0 Financial Information

Fishing on Marokopa Coast

Our People, Our Place, Our Future

5.1 Summary of Estimated Revenue and Expenses Statement

	AP 2008/09 $000's	2009/10 $000's	2010/11 $000's	2011/12 $000's	2012/13 $000's	2013/14 $000's	2014/15 $000's	2015/16 $000's	2016/17 $000's	2017/18 $000's	2018/19 $000's
Operating Income											
Community (Social) and Cultural	(661)	(1,128)	(1,192)	(1,234)	(1,269)	(1,309)	(1,351)	(1,395)	(1,437)	(1,480)	(1,518)
Environmental Sustainability	(997)	(4,099)	(3,166)	(1,908)	(2,132)	(2,190)	(2,253)	(2,319)	(2,385)	(2,456)	(2,531)
Economic Sustainability	(8,816)	(5,755)	(6,860)	(7,514)	(8,719)	(9,003)	(9,301)	(9,610)	(10,282)	(10,627)	(10,986)
Total Operating Income	**(10,474)**	**(10,982)**	**(11,218)**	**(10,656)**	**(12,120)**	**(12,502)**	**(12,905)**	**(13,324)**	**(14,104)**	**(14,563)**	**(15,035)**
Direct Operating Expenditure											
Community (Social) and Cultural	6,805	6,213	6,475	6,714	7,008	7,090	7,447	7,760	7,933	7,970	8,098
Environmental Sustainability	3,158	4,453	5,101	5,347	5,666	5,857	6,056	6,222	6,373	6,512	6,617
Economic Sustainability	10,996	10,787	11,850	12,766	12,592	13,029	13,461	14,144	15,105	15,548	16,010
Total Direct Operating Expenditure	**20,959**	**21,453**	**23,426**	**24,827**	**25,266**	**25,976**	**26,964**	**28,126**	**29,411**	**30,030**	**30,725**
Net Operating Cost/ (Surplus)	**10,485**	**10,471**	**12,208**	**14,171**	**13,146**	**13,474**	**14,059**	**14,802**	**15,307**	**15,467**	**15,690**
Capital Expenditure											
Community (Social) and Cultural	436	544	472	667	579	509	472	464	357	248	202
Environmental Sustainability	2,567	8,072	3,650	1,169	1,428	1,544	1,500	1,224	1,271	725	1,076
Economic Sustainability	8,398	7,595	7,389	7,580	7,391	7,796	8,403	8,528	8,811	9,111	9,540
Total Capital Expenditure	**11,401**	**16,211**	**11,511**	**9,416**	**9,398**	**9,849**	**10,375**	**10,216**	**10,439**	**10,084**	**10,818**
Total Expenditure	**21,886**	**26,682**	**23,719**	**23,587**	**22,544**	**23,323**	**24,434**	**25,018**	**25,746**	**25,551**	**26,508**
Funded By											
Loans	(6,631)	(10,574)	(4,820)	(2,750)	(2,794)	(2,751)	(3,140)	(2,568)	(2,500)	(1,931)	(2,419)
Loan Repayments					906	942	1,127	1,108	1,145	1,185	1,225
Reserves	(3,020)	(2,267)	(2,732)	(2,993)	(2,760)	(3,093)	(3,052)	(3,300)	(3,280)	(3,314)	(3,344)
General Rates	(2,248)	(2,863)	(2,873)	(2,889)	(2,969)	(3,011)	(3,183)	(3,310)	(3,377)	(3,383)	(3,436)
UAGC	(2,929)	(2,802)	(2,907)	(2,959)	(3,018)	(3,040)	(3,217)	(3,378)	(3,460)	(3,464)	(3,518)
Service Charges	(7,058)	(8,176)	(10,387)	(11,996)	(11,909)	(12,370)	(12,969)	(13,570)	(14,274)	(14,644)	(15,016)
Total Funding	**(21,886)**	**(26,682)**	**(23,719)**	**(23,587)**	**(22,544)**	**(23,323)**	**(24,434)**	**(25,018)**	**(25,746)**	**(25,551)**	**(26,508)**

5.2 Prospective Balance Sheet as at 30 June

	Annual Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's	Forecast 2016/17 $000's	Forecast 2017/18 $000's	Forecast 2018/19 $000's
Public Equity											
Retained Earnings	200,311	195,721	199,229	202,320	207,119	212,112	217,395	222,546	227,933	233,796	239,895
Other Reserves	13,191	4,224	4,675	5,257	5,209	5,163	5,189	5,495	5,913	6,073	6,254
Revaluation Reserve	34,104	49,407	49,407	49,407	72,700	72,700	72,700	98,461	98,461	98,461	131,686
	247,606	**249,352**	**253,311**	**256,984**	**285,028**	**289,975**	**295,284**	**326,502**	**332,307**	**338,330**	**377,835**
Current Assets											
Cash and Cash Equivalents	991	686	1,020	1,461	1,274	1,082	908	1,000	1,191	1,120	1,061
Other Financial Assets	1	1	1	1	1	1	1	1	1	1	1
Inventories	0	87	87	87	87	87	87	87	87	87	87
Trade and Other Receivables	2,800	5,974	6,195	6,439	6,683	6,935	7,200	7,477	7,765	8,059	8,359
Total Current Assets	**3,792**	**6,748**	**7,303**	**7,988**	**8,045**	**8,105**	**8,196**	**8,565**	**9,044**	**9,267**	**9,508**
Current Liabilities											
Bank Overdraft (Secured)	0	0	0	0	0	0	0	0	0	0	0
Trade and Other Payables	3,636	5,897	5,984	6,069	6,157	6,244	6,331	6,419	6,504	6,592	6,680
Current Portion of Borrowings	4,700	930	1,054	1,177	2,185	2,342	2,649	2,764	2,939	3,121	3,304
Provisions	7	13	13	14	14	14	15	15	15	16	16
Employee Entitlements	205	316	325	334	343	352	361	371	381	391	401
Total Current Liabilities	**8,548**	**7,156**	**7,376**	**7,594**	**8,699**	**8,952**	**9,356**	**9,569**	**9,839**	**10,120**	**10,401**
Net Working Capital	**(4,756)**	**(408)**	**(73)**	**394**	**(654)**	**(847)**	**(1,160)**	**(1,004)**	**(795)**	**(853)**	**(893)**
Non Current Assets											
Property Plant and Equipment	259,373	287,572	294,845	299,505	328,201	333,598	339,408	370,161	375,148	379,862	418,346
Intangible Assets	136	0	0	0	0	0	0	0	0	0	0
Forestry Assets	85	75	75	75	75	75	75	75	75	75	75
Investment Properties	334	334	343	354	363	371	382	393	403	413	422
Other Financial Assets	22,837	9,038	9,038	9,038	9,038	9,038	9,038	9,038	9,038	9,038	9,038
Deferred Tax Assets	0	100	100	100	100	100	100	100	100	100	100
Total Non Current Assets	**282,765**	**297,119**	**304,401**	**309,072**	**337,777**	**343,182**	**349,003**	**379,767**	**384,764**	**389,488**	**427,981**
Non Current Liabilities											
Borrowings	29,786	46,852	50,494	51,946	51,545	51,798	51,983	51,671	51,058	49,686	48,618
Employee Entitlements	55	61	62	64	66	67	69	71	73	75	77
Provisions	562	446	461	472	484	495	507	519	531	544	558
Total Non Current Liabilities	**30,403**	**47,359**	**51,017**	**52,482**	**52,095**	**52,360**	**52,559**	**52,261**	**51,662**	**50,305**	**49,253**
Net Assets	**247,606**	**249,352**	**253,311**	**256,984**	**285,028**	**289,975**	**295,284**	**326,502**	**332,307**	**338,330**	**377,835**

5.3 Prospective Income Statement as at 30 June

	Annual Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's	Forecast 2016/17 $000's	Forecast 2017/18 $000's	Forecast 2018/19 $000's
Revenue											
Subsidies	7,186	7,558	7,232	6,207	6,318	6,540	6,772	7,013	7,614	7,885	8,167
Investment revenue	1,250	5	212	433	1,501	1,536	1,572	1,610	1,649	1,690	1,732
Rates Revenue	12,378	14,053	16,385	18,066	18,125	18,655	19,608	20,503	21,361	21,746	22,234
Fees and Charges	1,893	3,214	3,553	3,788	4,070	4,190	4,317	4,451	4,586	4,728	4,870
Gains/(Loss) on revaluation of investment properties	0	0	9	11	8	9	11	11	10	10	9
Total Revenue	**22,707**	**24,830**	**27,391**	**28,505**	**30,022**	**30,930**	**32,280**	**33,588**	**35,220**	**36,059**	**37,012**
Expenditure											
Employee Benefit Expenses	3,009	2,857	2,926	2,997	3,078	3,158	3,240	3,324	3,427	3,536	3,645
Depreciation and Amortisation	3,939	4,215	4,565	4,888	4,421	4,645	4,968	5,354	5,680	5,840	5,982
Finance Costs	2,709	3,285	3,529	3,603	3,916	3,950	4,013	4,388	4,387	4,330	4,301
Other Expenditure	11,301	11,102	12,412	13,345	13,857	14,230	14,749	15,065	15,922	16,329	16,802
Impairment Loss	0	0	0	0	0	0	0	0	0	0	0
Total Expenditure	**20,958**	**21,459**	**23,432**	**24,833**	**25,272**	**25,983**	**26,970**	**28,131**	**29,416**	**30,035**	**30,730**
Surplus/(Deficit) Before Tax	**1,749**	**3,371**	**3,959**	**3,672**	**4,750**	**4,947**	**5,310**	**5,457**	**5,804**	**6,024**	**6,282**
Less Taxation Expense	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net Surplus/(Deficit)	**1,749**	**3,371**	**3,959**	**3,672**	**4,750**	**4,947**	**5,310**	**5,457**	**5,804**	**6,024**	**6,282**
Other Comprehensive Income											
Gains/(losses) on asset revaluation	0	15,793	0	0	23,293	0	0	25,761	0	0	33,225
Total Comprehensive Income for the Year	**1,749**	**19,164**	**3,959**	**3,672**	**28,043**	**4,947**	**5,310**	**31,218**	**5,804**	**6,024**	**39,507**

Note: *Local Authorities plan for financial surpluses for a range of reasons. By way of example, surpluses can occur as a result of budgeting for operating revenue (rate and subsidy revenue) which will be utilised for balance sheet transactions such as capital expenditure.*

5.4 Prospective Statement of Recognised Income and Expenses for the year ending 30 June

	Annual Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's	Forecast 2016/17 $000's	Forecast 2017/18 $000's	Forecast 2018/19 $000's
Balance at 1 July	**245,857**	**230,189**	**249,353**	**253,312**	**256,984**	**285,027**	**289,974**	**295,284**	**326,502**	**332,306**	**338,330**
Property, Plant and Equipment gains	0	15,793	0	0	23,293	0	0	25,761	0	0	33,225
Financial assets at fair value through equity valuation (losses) taken to equity	0	0	0	0	0	0	0	0	0	0	0
Net Income Recognised directly in Equity	**0**	**15,793**	**0**	**0**	**23,293**	**0**	**0**	**25,761**	**0**	**0**	**33,225**
Net Surplus/(Deficit) for the year	**1,749**	**3,371**	**3,959**	**3,672**	**4,750**	**4,947**	**5,310**	**5,457**	**5,804**	**6,024**	**6,282**
Total Recognised Income for the year ended 30 June	**1,749**	**19,164**	**3,959**	**3,672**	**28,043**	**4,947**	**5,310**	**31,218**	**5,804**	**6,024**	**39,507**
Balance at 30 June	**247,606**	**249,353**	**253,312**	**256,984**	**285,027**	**289,974**	**295,284**	**326,502**	**332,306**	**338,330**	**377,837**

5.5 Prospective Cashflow Statement for the years ending 30 June

	Annual Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's	Forecast 2016/17 $000's	Forecast 2017/18 $000's	Forecast 2018/19 $000's
Cash flow from Operating Activities											
Provided from:											
Rates revenue (incl penalties)	12,378	13,863	16,163	17,822	17,881	18,403	19,343	20,226	21,073	21,453	21,934
Subsidies and grants	7,186	7,558	7,232	6,207	6,318	6,540	6,772	7,013	7,614	7,885	8,167
Property rentals	181	275	301	316	330	346	362	379	396	414	424
Petrol Tax	150	115	118	122	126	129	133	137	141	146	150
Interest from investments	0	5	5	5	5	5	5	5	5	5	5
Other revenue	1,563	2,824	3,134	3,350	3,615	3,715	3,821	3,935	4,049	4,169	4,296
Dividend and Subvention received	1,250	0	207	428	1,496	1,531	1,567	1,605	1,644	1,685	1,727
	22,708	**24,640**	**27,160**	**28,250**	**29,771**	**30,669**	**32,003**	**33,300**	**34,922**	**35,757**	**36,703**
Applied to:											
Payments to suppliers and employees	14,124	13,648	15,004	16,005	16,593	17,042	17,635	18,029	18,983	19,491	20,067
Elected members	202	214	221	227	232	237	243	249	255	261	268
Interest paid on borrowings	2,709	3,285	3,529	3,603	3,916	3,950	4,013	4,388	4,387	4,330	4,301
	17,035	**17,147**	**18,754**	**19,835**	**20,741**	**21,229**	**21,891**	**22,666**	**23,625**	**24,082**	**24,636**
Net Cash flows from operating activities	**5,673**	**7,493**	**8,406**	**8,415**	**9,030**	**9,440**	**10,112**	**10,634**	**11,297**	**11,675**	**12,067**
Cashflow from investing Activities											
Applied to:											
Purchase and development of property, plant and equipment	11,506	14,395	11,837	9,548	9,824	10,042	10,778	10,345	10,667	10,554	11,241
Purchase of Share capital	0	2,000	0	0	0	0	0	0	0	0	0
Net Cash flow from Investing Activities	**11,506**	**16,395**	**11,837**	**9,548**	**9,824**	**10,042**	**10,778**	**10,345**	**10,667**	**10,554**	**11,241**

Note: The opening cash position for 2009/10 has been adjusted to reflect that Council is not expecting to receive dividend revenue planned for in the 2008/09 Financial Year as explained in the 'Strategic Considerations' section of this 2009-19 LTP.

5.5 Prospective Cashflow Statement for the years ending 30 June

	Annual Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's	Forecast 2016/17 $000's	Forecast 2017/18 $000's	Forecast 2018/19 $000's
Cash flow from Financing Activities											
Provided from											
Proceeds from borrowings	11,375	10,663	4,820	2,750	2,794	2,751	3,140	2,568	2,500	1,931	2,419
Applied to											
Repayment of borrowings	4,700	930	1,054	1,177	2,185	2,342	2,649	2,764	2,939	3,121	3,304
Net Cash flow from Financing Activities	**6,675**	**9,733**	**3,766**	**1,573**	**609**	**409**	**491**	**(196)**	**(439)**	**(1,190)**	**(885)**
Net increase/(decrease) in cash	842	831	334	441	(187)	(192)	(174)	92	191	(71)	(59)
Cash at start of period	149	(145)	686	1,020	1,461	1,274	1,082	908	1,000	1,191	1,120
Balance of end of year	**991**	**686**	**1,020**	**1,461**	**1,274**	**1,082**	**908**	**1,000**	**1,191**	**1,120**	**1,061**
Cash and Cash equivalents	**991**	**686**	**1,020**	**1,461**	**1,274**	**1,082**	**908**	**1,000**	**1,191**	**1,120**	**1,061**

5.6 Prospective Statement of Reserve Fund Movements for the years ending 30 June

	Annual Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's	Forecast 2016/17 $000's	Forecast 2017/18 $000's	Forecast 2018/19 $000's
Balance 1 July	13,173	11,021	11,865	12,316	12,898	12,850	12,804	12,830	13,136	13,553	13,713
Transfer to/from reserves	18	844	451	582	(48)	(46)	26	306	417	160	181
Total Other Reserves	**13,191**	**11,865**	**12,316**	**12,898**	**12,850**	**12,804**	**12,830**	**13,136**	**13,553**	**13,713**	**13,894**

5.7 Prospective Statement of Public Debt for the years ending 30 June

	Annual Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's	Forecast 2016/17 $000's	Forecast 2017/18 $000's	Forecast 2018/19 $000's
Balance 1 July	27,811	38,049	47,782	51,548	53,121	53,730	54,139	54,630	54,434	53,995	52,805
Loans Raised	11,375	10,663	4,820	2,750	2,794	2,751	3,140	2,568	2,500	1,931	2,421
Loans Repaid	(4,700)	(930)	(1,054)	(1,177)	(2,185)	(2,342)	(2,649)	(2,764)	(2,939)	(3,121)	(3,304)
Balance 30 June	**34,486**	**47,782**	**51,548**	**53,121**	**53,730**	**54,139**	**54,630**	**54,434**	**53,995**	**52,805**	**51,922**

Note: *When comparing the Statement of Public Debt to the Prospective Balance Sheet as at 30 June, the Prospective Balance at 30 June is the sum of both 'Current Portion of Borrowings' and 'Borrowings'.*

5.8 Reconciliation of Summary of Estimated Revenue and Expenses Statement to Prospective Comprehensive Income Statement

	Annual Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's	Forecast 2016/17 $000's	Forecast 2017/18 $000's	Forecast 2018/19 $000's
From Summary of Revenue and Expenses Statement											
Net Operating Cost/Surplus	10,485	10,471	12,208	14,171	13,146	13,474	14,059	14,802	15,307	15,467	15,690
Plus Rates Revenue											
General Rates	(2,248)	(2,863)	(2,873)	(2,889)	(2,969)	(3,011)	(3,183)	(3,310)	(3,377)	(3,383)	(3,436)
UAGC	(2,929)	(2,802)	(2,907)	(2,959)	(3,018)	(3,040)	(3,217)	(3,378)	(3,460)	(3,464)	(3,518)
Targeted Services Rates	(7,057)	(8,177)	(10,387)	(11,995)	(11,909)	(12,370)	(12,969)	(13,571)	(14,274)	(14,644)	(15,018)
Net (Surplus)/Deficit	**(1,749)**	**(3,371)**	**(3,959)**	**(3,672)**	**(4,750)**	**(4,947)**	**(5,310)**	**(5,457)**	**(5,804)**	**(6,024)**	**(6,282)**
From Prospective Comprehensive Income Statement											
Net Surplus/(Deficit)	1,749	3,371	3,959	3,672	4,750	4,947	5,310	5,457	5,804	6,024	6,282
Plus											
Impairment Loss	0	0	0	0	0	0	0	0	0	0	0
Net (Surplus)/Deficit	**1,749**	**3,371**	**3,959**	**3,672**	**4,750**	**4,947**	**5,310**	**5,457**	**5,804**	**6,024**	**6,282**
Variance	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Our People, Our Place, Our Future

5.9 Funding Impact Statement

Introduction

Council is required under Schedule 10(10) of the Local Government Act 2002 (LGA) to adopt a Funding Impact Statement. The Funding Impact Statement provides a summary of Council's funding sources over the 10 year period as well as the detailed rate requirement for the 2009/10 financial year. The Funding Impact Statement represents the fiscal outcome from the Revenue and Financing Policy. The Revenue and Financing Policy is located in Part 6 of this 2009-19 LTP.

Rates Remissions and Postponements

Remissions

Council is required to have a policy on rates remissions and postponements. Council has developed a remissions policy as per LGA (section 102 (5)(a)) and LGRA (Section 85) which was consulted on as part of this Annual Plan. A copy of the policy is included in Appendix 1 of this Annual Plan. It includes the objectives of the remissions targeting each of social, cultural, environmental and economic well-beings. Remissions categories include non-contiguous properties, clubs and societies, new subdivisions, Council properties and Maori land.

The value of these remissions is $47,000 for 2009/10 year, rising to $58,809 in 2018/19. (Please note $47,000 un-inflated over 10 years).

Postponements

Under the Policy on Remission of Rates, Council will not offer any permanent postponements of rates.

Separately Used or Inhabited Part of a Rating Unit

Rating units, parts or portions of rating units are terms used to define separately used or inhabited rating units and include any part of a rating unit used or inhabited by the owner or any other person who has the right to use or inhabit that part by virtue of tenancy, lease or other agreement. At a minimum, the land or premises intended to form the separately used or inhabited part of the rating unit must be capable of actual habitation, or actual separate use. For the avoidance of doubt, a rating unit that has only one use (i.e. does not have separate parts or is vacant land) is treated as being one separately used or inhabited part.

1.0 STATEMENT OF FUNDING SOURCES

The table on the following page provides a summary of the funding sources for 2009-2010. Council's Revenue and Financing Policy and work programmes form the basis for the funding forecast. The table is produced on a GST exclusive basis.

The Statement of Funding Sources and the associated Funding Impact Statement provide for an overall funding adjustment. That adjustment is made in the interests of Community Well-being (as provided for by section 101 (3) (b) of the Local Government Act 2002) and applies only to the 2009/10 financial year. This adjustment results in the transfer of $230,000 from the General Rate to the Uniform Annual General Charge in an effort to maintain a funding equity between urban and rural ratepayers within the Waitomo District and their respective contribution to those services with a high element of public good.

2.0 FUNDING CAP FOR UNIFORM ANNUAL CHARGE

Section 21 of the Local Government (Rating) Act 2002 requires that certain rates must not exceed 30% of total rates revenue. Those rates include Uniform Annual General Charges and Target Rates that are set on a uniform basis. The threshold for levying rates under the 30% limit is referred to as the Funding Cap.

For the purposes of calculating the Funding Cap, uniform charges that are levied on the district as a whole are included in the calculation. Council is not in breach of the Funding Cap over the life of the LTP. The Funding Cap for the 2009/10 year is 26.8%. For the nine remaining years of the Long Term Plan the Funding Cap does not exceed 23.37% and is not less than 20.7%

	Annual Plan 2009 $000's	Forecast 2010 $000's	Forecast 2011 $000's	Forecast 2012 $000's	Forecast 2013 $000's	Forecast 2014 $000's	Forecast 2015 $000's	Forecast 2016 $000's	Forecast 2017 $000's	Forecast 2018 $000's	Forecast 2019 $000's
Operating Revenue Rates Revenue											
Targeted rates											
Sewerage	1,257	1,558	1,786	1,793	1,869	1,974	2,079	2,148	2,201	2,241	2,259
Water	1,188	1,289	1,400	1,508	1,731	1,813	1,907	2,022	2,123	2,212	2,298
Targeted Services	746	478	530	581	631	676	728	784	854	912	972
Land Transport	2,858	2,930	3,349	3,744	3,268	3,466	3,782	4,114	4,561	4,724	4,902
Land Transport Special Levy		623	1,814	2,814	2,814	2,814	2,814	2,814	2,814	2,814	2,814
Solid Waste Management	448	681	871	906	935	950	967	983	1,001	1,004	1,019
Solid Waste Collection	273	319	330	338	346	354	363	372	381	390	400
Stormwater	281	297	304	309	314	319	325	330	336	342	349
Marokopa Hall	4	4	4	4	4	4	4	4	4	4	4
Total Targeted Rates	**7,055**	**8,178**	**10,388**	**11,995**	**11,911**	**12,371**	**12,969**	**13,570**	**14,273**	**14,643**	**15,017**
Uniform Annual General Charges	2,934	3,032	2,907	2,959	3,018	3,040	3,217	3,378	3,460	3,464	3,518
General rates	2,244	2,633	2,873	2,889	2,969	3,011	3,183	3,310	3,377	3,383	3,436
Total Rates Revenue	**12,233**	**13,843**	**16,167**	**17,844**	**17,898**	**18,422**	**19,369**	**20,258**	**21,111**	**21,490**	**21,971**
Other revenue											
Subsidies	7,186	7,558	7,232	6,207	6,318	6,540	6,772	7,013	7,614	7,885	8,167
Rates Penalties	145	210	217	222	228	233	239	244	250	256	263
Dividend and Interest	1,250	5	212	433	1,501	1,536	1,572	1,610	1,649	1,690	1,732
Fees and charges	1,893	3,214	3,553	3,788	4,070	4,190	4,317	4,451	4,586	4,728	4,870
Total Other Revenue	**10,475**	**10,987**	**11,214**	**10,650**	**12,117**	**12,498**	**12,899**	**13,318**	**14,099**	**14,559**	**15,031**
Other funding sources											
Borrowing	11,375	10,663	4,820	2,750	2,794	2,751	3,140	2,568	2,500	1,931	2,419
Total Other Funding	**11,375**	**10,663**	**4,820**	**2,750**	**2,794**	**2,751**	**3,140**	**2,568**	**2,500**	**1,931**	**2,419**
Total Funds Used	**34,083**	**35,492**	**32,201**	**31,244**	**32,808**	**33,672**	**35,409**	**36,144**	**37,710**	**37,980**	**39,421**
Operating Expenditure (excluding Depreciation)	17,034	17,323	18,860	19,937	20,847	21,334	21,956	22,728	23,687	24,145	24,695
Capital Expenditure (Including Corporate Capacity)	11,506	16,395	11,837	9,548	9,824	10,042	10,778	10,345	10,667	10,554	11,241
External Loan Repayments	5,524	930	1,054	1,177	2,185	2,342	2,649	2,764	2,939	3,121	3,304
Reserves Transfers	18	844	451	582	(48)	(46)	26	306	417	160	181
	34,083	**35,492**	**32,201**	**31,244**	**32,808**	**33,672**	**35,409**	**36,144**	**37,710**	**37,980**	**39,421**

5.9 Funding Impact Statement

3.0 GENERAL RATE

3.1 General Rate

Description and Use

The General Rate is assessed as a rate in the dollar based on capital value across the District. The General Rate is not set differentially. The rationale for use of the General Rate Capital Value is contained in the Revenue and Financing Policy.

The General Rate will contribute to the funding of:

- Leadership
- Parks and Reserves
- District Libraries
- District Swimming Pool
- Arts Culture and Heritage
- Aerodrome
- Public Facilities
- Community Development
- Regulation
- Waste Minimisation
- District Plan Administration
- Investments

Requirement in 2009/10 (incl. GST)

	Rate in Dollar (c)	Total Revenue Requirement ($000)
General Rate District (CV)	0.09995	2,962

4.0 UNIFORM ANNUAL GENERAL CHARGE

Description and Use

Council will set a Uniform Annual General Charge (UAGC) on each separately used or inhabited part of a rating unit under Section 15(1)(b) of the LGRA, across the District. The rationale for use of the UAGC is contained in the Revenue and Financing Policy.

The UAGC will contribute to the funding of:

- Leadership
- Parks and Reserves
- District Libraries
- District Swimming Pool
- Arts Culture and Heritage
- Public Facilities
- Community Development
- Regulation and Safety
- Solid Waste
- District Plan Administration
- Subsidised Roading
- Housing and Other Property

Requirement in 2009/10 (incl. GST)

Uniform Annual General Charge	Charge	Total Revenue Requirement ($000)
UAGC	$626.00	3,411

5.0 TARGETED RATES

Description and Use

Targeted Rates are set on rateable assessments differentiated by some factor, such as geographic location or provision of service. The titles of 'Targeted Rate' and 'TUAC' (Targeted Uniform Annual Charge) are used by this Council, where TUAC is a Targeted Rate based strictly on a uniform amount set per separately used or inhabited portion of a rating unit.

5.1 Targeted Rates Differentiated on Location

Council will use location (Schedule 2(6); LGRA) to assess every rating unit or part of a rating unit for the Targeted Services TUAC and Stormwater TUAC.

The following location definitions for the respective rating areas will apply:

1. Te Kuiti Urban Rating Area	All rating units situated within the Te Kuiti Urban Ward as defined by the Basis of Election for the 2007 Triennial Elections.
2. Te Kuiti Urban and Periphery Rating Area	All rating units situated within a 5 km radius, all around, from the Information Centre (deemed to be the centre of town), in Te Kuiti.
3. Rural Rating Area	All rating units situated within the Rural Ward as defined by the Basis of Election for the 2007 Triennial Elections.

5.9 Funding Impact Statement

(a) Targeted Services TUAC

Description and Use

Council will set a Targeted Services TUAC on every separately used or inhabited portion of a rating unit in the District, differentiated by rating areas, to fund the Unsubsidised Roading Activity and part fund the Swimming Pool Activity. The Rating Areas for the purpose of levying the Targeted Services TUAC will be the Te Kuiti Urban and Periphery Rating Area and the Rural Rating Area (rest of the District).

Requirement in 2009/10 (incl. GST)

Targeted Services TUAC	Charge	Total Revenue Requirement ($000)
Te Kuiti Urban and Periphery	$185.00	432
Rural	$34.00	106

(b) Stormwater TUAC

Description and Use

Council will set a TUAC on every separately used or inhabited portion of a rating unit in the District, differentiated by rating area, to fund the Stormwater Activity. The Rating Areas for the purpose of levying the Stormwater TUAC will be the Te Kuiti Urban Rating Area and the Rural Rating Area (rest of the District).

Requirement in 2009/10 (incl. GST)

Stormwater TUAC	Charge	Total Revenue Requirement ($000)
Te Kuiti	$127.00	258
Rural	$22.00	76

(c) Marokopa Community Centre TUAC

Council will set a TUAC levied on every separately used or inhabited portion of a rating unit within the defined Marokopa Community Centre rating area.

Marokopa Community Centre TUAC	Charge	Total Revenue Requirement ($000)
TUAC	$24.00	4

5.2 Targeted Rates Differentiated on Service Provision

Description and Use

Council will use provision or availability to the land of a service (Schedule 2(5); LGRA) to assess service charges for Water Supply and Sewerage:

Water	Ability to connect (serviceable): The rating unit is within 100m of water main and practicably serviceable in the opinion of Council.
Sewerage	Ability to connect (serviceable): The rating unit is within 30m of sewer reticulation and practicably serviceable in the opinion of Council.

5.3 Water Rates

Description and Use

Council will set a TUAC for Water Supply on every community that has a Council water supply network, differentiated on the basis of supply area.

The annual charges are levied either on the basis of a separately used or inhabited portion of a rating unit within a community that is connected, or on the basis of a rating unit that has the ability to connect (serviceable) to a Council water supply network.

Any rating unit situated in Te Kuiti, Piopio, Benneydale or Mokau that has been fitted with a water meter and is defined as being an extraordinary water user will be charged based on the volume of water consumed over and above the amount paid for through the targeted water rate.

Requirement in 2009/10 (incl. GST)

Water Supply (TUAC)	Charge		Total Revenue Requirement ($000)
	Per connected rating unit	Per serviceable rating unit	
Te Kuiti	$382.00	$191.00	786
Piopio	$862.00	$431.00	210
Benneydale	$1,300.00	$650.00	144
Mokau	$1,300.00	$650.00	263

Our People, Our Place, Our Future

5.9 Funding Impact Statement

5.4 Subsidy Rate for Benneydale Water

Description and Use

Council will set a TUAC levied on every rating unit in the District. The rationale for use of this rate is contained in the Revenue and Financing Policy.

Subsidy for Benneydale Water	Charge	Total Revenue Requirement ($000)
No. of Properties = 4,509	$4.00	20

5.5 Subsidy Rate for Mokau Water

Description and Use

Council will set a TUAC levied on every rating unit in the District. The rationale for use of this rate is contained in the Revenue and Financing Policy.

Subsidy for Mokau Water	Charge	Total Revenue Requirement ($000)
No. of Properties = 4,509	$6.00	28

5.6 Sewerage Rates

Description and Use

Council will set TUACs to provide for the collection and disposal of sewage levied either on the basis of a separately used or inhabited portion of a rating unit within a community that is connected or, on the basis of a rating unit that has the ability to connect (serviceable) to a Council sewerage reticulation network differentiated by supply area.

A Trade Waste Contribution TUAC will also be levied in Te Kuiti on every separately used or inhabited part of a rating unit that is connected or has the ability to connect to the Council sewerage reticulation network to fund the shortfall in contribution made by Trade Waste Users while Council implements Trade Waste Charges over time. The rationale for use of this rate is contained in the Revenue and Financing Policy.

Requirement in 2009/10 (incl. GST)

Sewerage (TUAC)	Charge		Total Revenue Requirement ($000)
	Per connected rating unit	Per serviceable rating unit	
Piopio		$842.00	165
Benneydale	$900.00	$450.00	75
Te Waitere	$900.00	$450.00	14
Te Kuiti	$549.00	$275.00	1,149
Te Kuiti Trade Waste Contribution	$152.00	$152.00	307

Te Kuiti

In Te Kuiti, Council will set a TUAC levied on every separately used or inhabited part of a rating unit that is connected or has the ability to connect to the Council sewerage reticulation network.

All non-residential properties will be charged one base charge for up to three pans and per pan for every pan over and above this threshold. The base charge will be equivalent to the charge for a connected residential property (in Te Kuiti).

Non-residential properties are categorised by their hours of operation and the charge per pan is calculated as follows:

Category	Calculation factor per pan	Charge per pan
Business hours more than 40 hours	0.76	$417
Business hours equal to 40 hours	0.36	$198
Business hours less than 40 hours	0.20	$110

5.7 Subsidy Rate for Te Waitere Sewerage

Description and Use

Council will set a TUAC levied on every rating unit within the District. The rationale for use of this rate is contained in the Revenue and Financing Policy.

Subsidy for Te Waitere Sewerage	Charge	Total Revenue Requirement ($000)
No. of Properties = 4,509	$6.00	26

5.9 Funding Impact Statement

5.8 Subsidy Rate for Benneydale Sewerage

Description and Use

Council will set a TUAC levied on every rating unit within the District. The rationale for use of this rate is contained in the Revenue and Financing Policy.

Subsidy for Benneydale Sewerage	Charge	Total Revenue Requirement ($000)
No. of Properties = 4,509	$3.00	15

5.9 Land Transport Rate

Description and Use

Land Transport Rate

Council will set a Land Transport Rate assessed as a rate in the dollar based on capital values across the District to part fund Subsidised Roading (part of Land Transport Activity). Rationale for use of the rate is contained in the Revenue and Financing Policy.

Land Transport Special Levy

Council will set a Special Land Transport Levy as a rate in the dollar based on capital values across the District to part fund Subsidised Roading (part of Land Transport Activity). Rationale for use of the rate is contained in the Revenue and Financing Policy.

Requirement in 2009/10 (incl. GST)

District Roading Rate	Rate in Dollar (c)	Total Revenue Requirement ($000)
Land Transport Rate	0.11122	3,296
Land Transport Special Levy	0.02364	701

6.0 Solid Waste Collection

Description and Use

Council will set a TUAC levied on every separately used or inhabited part of a rating unit to which Council provides a kerbside collection and recycling service to fund the cost of the services. Council operates kerbside collection and kerbside recycling in Te Kuiti, Piopio, Mokau and Waitomo (part of) townships.

Requirement in 2009/10 (incl. GST)

Solid Waste Collection (TUAC)	Charge	Total Revenue Requirement ($000)
Te Kuiti	$100.00	199
Waitomo	$119.00	65
Piopio	$110.00	25
Mokau	$267.00	70

6.1 Solid Waste Management

Description and Use

Council will set a TUAC to part fund the activity of Solid Waste Management. This TUAC will be levied on every separately used or inhabited portion of a rating unit District wide.

Requirement in 2009/10 (incl. GST)

Solid Waste Management (TUAC)	Charge	Total Revenue Requirement ($000)
Solid Waste	$138.00	766

6.2 RATES PAYMENTS

It is proposed that rates will be paid by four instalments due on:

Due Date

1st Instalment	28 August 2009
2nd Instalment	27 November 2009
3rd Instalment	26 February 2010
4th Instalment	28 May 2010

The due date for rates payments is the last Friday of the month. Any portion of the current instalment remaining unpaid after this due date will incur a penalty.

Penalties

- A first additional charge of 10% will be added to the amount of any instalment unpaid at the close of business, being 5.00pm on the last day for payment.

5.10 2008/2009 - Rates Examples

Including GST

Capital Value $ as at Sep 2006	Te Kuiti Residential 150,000 2008/2009	Te Kuiti Commercial 195,000 2008/2009	Benneydale Residential 45,000 2008/2009	Piopio Residential 122,000 2008/2009	Mokau Residential 240,000 2008/2009	Drystock Rural 3,800,000 2008/2009	Dairy Farm Rural 3,140,000 2008/2009
Uniform Annual General Charge (UAGC)	626	626	626	626	626	626	1,878
General Rate	128	167	38	104	205	3,250	2,686
District Wide Roading Rate	163	212	49	133	261	4,138	3,419
Targeted Services Rate (Urban)							
Swimming Pool	141	141					
Unsubsidised Roading	100	100					
Targeted Services Rate (Rural)							
Swimming Pool			43	43	43	43	129
Unsubsidised Roading			57	57	57	57	171
Subsidy Rate for Te Waitere Sewerage	2	2	2	2	2	2	2
Subsidy Rate for Benneydale Water	11	11	11	11	11	11	11
Stormwater (Urban)	131	131					
Stormwater (Rural)			20	20	20	20	60
Water Supply	374	374	1,300	750	1,281		
Sewerage	619	619	802	517			
Solid Waste							
Landfill Management - District	116	116	116	116	116	116	348
Collection and Recycling	90	90		93	243		
Total Rates	**2,502**	**2,589**	**3,064**	**2,472**	**2,866**	**8,263**	**8,704**

5.11 2009/2010 - Rates Examples

Including GST

Capital Value $ as at Sep 2006	Te Kuiti Residential 150,000	Te Kuiti Commercial 195,000	Benneydale Residential 45,000	Piopio Residential 122,000	Mokau Residential 240,000	Drystock Rural 3,800,000	Dairy Farm Rural 3,140,000
Uniform Annual General Charge (UAGC)	626	626	626	626	626	626	626
General Rate	150	195	45	122	240	3,798	3,138
District Wide Roading Rate	167	217	50	136	267	4,226	3,492
Roading Special Levy (Funding Adjustment)	35	46	11	29	57	898	742
Targeted Services Rate (Urban)							
Swimming Pool	79	79					
Unsubsidised Roading	106	106					
Targeted Services Rate (Rural)							
Swimming Pool			25	25	25	25	75
Unsubsidised Roading			9	9	9	9	27
Subsidy Rate for Te Waitere Sewerage	6	6	6	6	6	6	6
Subsidy Rate for Benneydale Water	4	4	4	4	4	4	4
Subsidy Rate for Benneydale Sewerage	3	3	3	3	3	3	3
Subsidy Rate for Mokau Water	6	6	6	6	6	6	6
Stormwater (Urban)	127	127					
Stormwater (Rural)			22	22	22	22	66
Water Supply	382	382	1,300	862	1,300		
Sewerage	549	549	900	842			
Trade Waste Contribution - Te Kuiti	152	152					
Solid Waste							
Landfill Management - District	138	138	138	138	138	138	414
Collection and Recycling	100	100		110	267		
Total Rates	**2,631**	**2,737**	**3,146**	**2,941**	**2,970**	**9,762**	**9,852**
% change	**5.17%**	**5.70%**	**2.64%**	**18.97%**	**3.65%**	**18.14%**	**13.19%**

5.12 Accounting Policies

Statement of Responsibility

The Long Term Plan 2009/10 – 2018/19 was adopted by Council on 23 April 2009.

The purpose of the Long Term Plan is to provide a roadmap to the Council and community on the planned activities and expenditure of Council over the following 10 years. The use of this information for purposes other than for which it is prepared may not be appropriate.

The Council is responsible for the prospective financial statements presented, including the appropriateness of the underlying assumptions and related disclosures. The prospective financial statements have been prepared in compliance with FRS 42 Prospective Financial Statements.

Statement of Compliance

The forecast prospective financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with generally accepted accounting practice.

The primary objective of the Council is to provide goods or services for the community for social benefit rather than for making a financial return. Accordingly, the Council has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Statement of Accounting Policies

Reporting Entity

Waitomo District Council is a territorial local authority governed by the Local Government Act 2002.

Waitomo District Council Group (the Council) consists of Waitomo District Council and its 100% owned subsidiary, Inframax Construction Limited incorporated in New Zealand, and its subsidiary Independent Roadmarkers Taranaki Ltd (100% owned) incorporated in New Zealand.

Basis of Preparation

The prospective financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).
These prospective financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000). The functional currency of the Council is New Zealand dollars.

Subsidiary

The Council measures its investment in Inframax Construction Limited at fair value. The valuation was performed by PricewaterhouseCoopers as at 30 June 2008. Shares in Inframax Construction Limited are classified as available for sale. Revaluation gains are recognised in the fair value through other reserves included in the equity section of the Balance Sheet. Revaluation losses are recognised in the Income Statement unless it offsets a previous gain in the same asset class in the asset revaluation reserve.

Consolidation

The Waitomo District Council Group reporting entity consists of the Waitomo District Council and it's 100% owned subsidiaries; Inframax Construction Limited and Independent Roadmarkers Taranaki Limited.

The Council has not presented group prospective financial statements because Council believes that parent prospective financial statements are more relevant to users. The main purpose of prospective financial statements in the LTP is to provide users with information about the core services that Council intends to provide its constituents, the expected costs of those services and as a consequence how much the Council requires by way of rates to fund the intended level of services.

The level of rates funding required is not affected by the subsidiary except to the extent that Council obtains distributions from the subsidiary. Such effects are included in the prospective financial statements of the Council.

Measurement Base

The measurement base adopted is that of historical cost, modified by revaluation of certain property, plant and equipment and the investment in Inframax Construction Limited.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Council and the revenue can be reliably measured. The following

5.12 Accounting Policies

specific recognition criteria must also be met before revenue is recognised:

Revenue is measured at fair value of the consideration received or receivable.

Rates

Rates are recognised as revenue when rates are levied.

Levies and Charges

Other levies and charges are recognised as revenue when the obligation to pay arises or, in the case of licence fees, upon renewal of the licence.

Other

Other grants, bequests and assets vested in the Council are recognised as revenue when control over the asset is obtained.

Government Grants

Government grants and subsidies are recognised at their fair value when there is reasonable assurance that the conditions associated with the grant approval have been fulfilled. The Council receives government grants from Land Transport New Zealand, which subsidises part of the Council's costs of maintaining local roading. In addition to this Council has also received government grants from the Ministry of Health which subsidises part of the Council's cost of providing a sewerage reticulation system at Piopio, replacement of water reticulation pipes at Benneydale and Mokau.

Interest

Revenue is recognised using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument.

Dividends

Dividends from the subsidiary are recognised in the Income Statement on the date that the dividends are declared.

Rental Income

Rental income arising on property owned by the Council is accounted for on a straight-line basis over the lease term.

Development Contributions

The revenue recognition point for development and financial contributions is at the later of the point when the Council is ready to provide the service for which the contribution was levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation. Development contributions are classified as part of "Other Revenue".

Construction Contracts

Revenue from construction contracting services includes revenue from building and civil contracting services. Revenue and expenditure are recognised by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to costs incurred up to balance date as a percentage of the total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the Council's construction activities in general.

Expected losses are recognised immediately as an expense in the Income Statement.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contract costs where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under trade and other payables.

Expenditure

Expenditure is recognised when the Council has been supplied with the service or has control of the goods supplied.

Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award

5.12 Accounting Policies

on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Income Tax

Income tax expense on the surplus or deficit for the period comprises current tax expense and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Current tax is the amount of income tax payable based on the taxable profit for the current year plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the prospective financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised only to the extent that it is probable that the taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Council can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the tax rates which are expected to apply in the period the liability is settled or asset realised using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Council intends to settle its current tax assets and liabilities on a net basis.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within Borrowings in Current Liabilities on the face of the Balance Sheet.

Inventories

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the FIFO method.

The amount of any write down from the loss of service potential or from cost to net realisable value is recognised in the Income Statement.

Financial Assets

The Council classifies its financial assets into the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the Income Statement.

Purchases and sales of investments are recognised on trade-date, the date on which Council commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks or rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Council uses a variety of methods and

5.12 Accounting Policies

makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The four categories of financial assets are:

1. *Financial Assets at Fair Value Through Profit or Loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the Income Statement.

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

2. *Loans and Receivables*

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or de-recognised are recognised in the Income Statement. Loans and receivables are classified as "trade and other receivables" in the Balance Sheet.

Loans made by the Council at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the Income Statement.

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

3. *Held to Maturity Investments*

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that the Council has the positive intention and ability to hold to maturity.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or de-recognised are recognised in the Income Statement.

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

4. *Available for Sale*

Available for sale financial assets are those that are designated as fair value through equity or are not classified in any of the other categories above.

This category encompasses:

- Investments that the Council intends to hold long-term but which may be realised before maturity; and
- Shareholdings that the Council holds for strategic purposes. The Council's investment in Inframax Construction Limited is included in this category.

After initial recognition these investments are measured at their fair value.

Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the Income Statement. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in Income Statement even though the asset has not been de-recognised.

On de-recognition the cumulative gain or loss previously recognised in equity is recognised in the Income Statement.

Impairment of Financial Assets

At each balance sheet date the Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the Income Statement.

5.12 Accounting Policies

Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. No derivatives at balance date were designated as hedges. The associated gains or losses of derivatives that are not hedge accounted for are recognised in the income statement. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Payables

Trade payables and other payables are recognised when the Council becomes obligated to make future payments resulting from the purchase of goods or services.

Borrowings

All loans and borrowings are initially recognised at their fair value net of transaction costs.

After initial recognition, all borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Good and Service Tax

All items in the Income Statement and Balance Sheet are stated exclusive of Goods and Services Tax (GST), except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The Cash Flow Statement is stated inclusive of GST in accordance with NZ IAS 7.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Balance Sheet. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Provisions

The Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Financial Guarantee Contracts

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received a provision is recognised based on the probability the Council will be required to reimburse a holder for a loss incurred discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Landfill Post Closure Costs

The Council has a legal obligation under the resource consents for open and closed landfills to provide ongoing maintenance and monitoring services at the sites after closure. A provision for post closure costs is recognised as a liability when the obligation for post closure arises.

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

Amounts provided for landfill post closure are capitalised to the landfill asset where

5.12 Accounting Policies

they give rise to future economic benefits to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

The discount rate of 6.42% is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to Council.

Employee Benefits

Short-Term Benefits

Employee benefits that the Council expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at the rate expected to apply at the time of settlement.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Council recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Council anticipates it will be used by staff to cover those future absences.

Long-Term Benefits

Long Service Leave and Retirement Gratuities

Entitlements that are payable beyond twelve months, such as long service leave and retirement gratuities have been calculated on an actuarial basis. The calculations are based on the likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information, and the present value of estimated future cash flows. A discount rate of 6% and an inflation rate of 2% were used. The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Leases

Finance Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the Council recognises finance leases as assets and liabilities in the Balance Sheet at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Property, Plant and Equipment

Property, Plant and Equipment have been divided into 3 broad categories.

Operational Assets

Operational assets are tangible assets, able to be dealt with as part of the operating strategy and include land, buildings, furniture and fittings, computer hardware, plant and equipment, library books and motor vehicles.

Infrastructural Assets

Infrastructural assets are the fixed utility systems providing an ongoing service to the community, but are not generally regarded as tradable. They include roads, water reticulation systems, refuse transfer stations, sewerage reticulation systems, stormwater systems, and land under roads.

Restricted Assets

Restricted assets cannot be disposed of because of legal and other restrictions but provide a benefit or service to the community. These are mainly assets associated with reserves vested under the Reserves Act, endowments and other property held in Trust for specific purposes.

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

5.12 Accounting Policies

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

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

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the income statement. When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land and land under roads at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

Operational Assets

Operational assets are depreciated on a straight line basis. The estimated useful lives are as follows:

Land	Not depreciated
Buildings	10-100 years
Plant and Equipment	2-20 years
Motor Vehicles	5-15 years
Furniture and Fittings	2-10 years
Computers	2-7 years
Library books	3-15 years
Archive books	Not depreciated
Wharf and Jetty Structures	40-100 years
Park Assets and Structures	5-30 years

Infrastructural Assets

Infrastructural assets are depreciated on a straight line basis. The estimated useful lives are as follows:

Roads

Top surface	2-16 years
Base course	40-50 years
Sub base	60-100 years
Formation and running course	Not depreciated
Culverts – timber and other	40-80 years
Signs	15 years
Street Lights and poles	15-60 years
Bridges	70-100 years
Footpath surface and base	35-80 years

Water Reticulation

Pipes, hydrant, valves	60-100 years
Pump station, reservoirs	25-100 years

Sewerage Reticulation

Pipes and manholes	60-80 years
Pump station	15-100 years
Treatment plant	10-80 years

Stormwater Systems

Pipes, cesspits	60-100 years
Flood Control Systems	10-80 years

5.12 Accounting Policies

Refuse Systems

Retaining walls	70-90 years
Drainage	70-75 years
Signs	5-10 years
Kerb and channelling	60-75 years
Truck wash and weighbridge	28 years
Transfer Stations	10-50 years

The depreciation rates are applied at a component level and are dependent on the remaining useful life of each component.

Restricted Assets

Restricted assets are depreciated on a straight line basis as follows:

Buildings	40-100 years

Capital Work in Progress

Capital work in progress is not depreciated.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Revaluation

Those assets that are revalued are valued on a five yearly valuation cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. If there is a material difference, then off cycle asset classes are revalued.

Revaluation of Operational Assets

Land and buildings are stated at fair value. Quotable Value New Zealand (independent Registered Valuers) valued the Council's land and buildings on 1 July 2006 and A Doyle and K Wrenn (independent Registered Valuers) valued Inframax Construction Ltd's land and buildings on 30 June 2006. Land has been valued as if vacant and incorporates the influences of size, contour, quality, location, zoning, designation and current and potential usage. Where the fair value of buildings can be determined by reference to the price in an active market for the same asset or a similar asset, the fair value of the asset is determined using this information. Where fair value of the asset is not able to be reliably determined using market-based evidence, depreciated replacement cost is considered to be the most appropriate basis for determination of the fair value. Subsequent additions are at cost less accumulated depreciation. Library books were revalued at 1 July 2004 by North Langley and Associates (Registered Valuers). Subsequent additions are at cost less accumulated depreciation.

Revaluation of Infrastructural Assets

Infrastructural assets are stated at fair value determined based on depreciated replacement cost by Maunsell Limited (independent Registered Valuers) as at 1 July 2006. Additions to the infrastructural buildings are valued at cost less accumulated depreciation. Infrastructural land was valued at fair value on 30 June 2006 by Quotable Value New Zealand (independent Registered Valuers). Land under roads was revalued at fair value by suitably qualified staff at 1 July 2001 with values verified by Doyle Valuations Ltd (independent Registered Valuers). Land under roads is not revalued.

Revaluation of Restricted Assets

Restricted assets cannot be disposed of because of legal or other restrictions and provide a benefit or service to the community. They are principally reserves vested under the Reserves Act. Quotable Value New Zealand (independent Registered Valuers) valued restricted assets on 1 July 2006 at fair value based on market based evidence.

Accounting for Revaluations

The council accounts for revaluations of property, plant and equipment on a class of asset basis. Any revaluation surpluses and deficits are recognised in the Statement of Movements in Equity and credited to the Revaluation Reserve for that class of asset. Where a revaluation of a class of assets results in a revaluation deficit, and the amount of the deficit is greater than an existing revaluation reserve, the revaluation deficit is recognised in the Income statement. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Income Statement will be recognised first in the Income Statement up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Intangible Assets

Software
Computer software licenses are capitalised on the basis of the costs incurred

5.12 Accounting Policies

to acquire and bring to use the specific software. The costs associated with maintaining computer software are recognised as an expense as incurred. The costs associated with the development and maintenance of the Council's website are recognised as an expense as incurred.

Easements

Easements are recognised at cost, being the costs directly attributable in bringing the asset to its intended use. Easements have an indefinite useful life and are not amortised, but are instead tested for impairment annually.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Income Statement.

The useful lives and associated amortisation rates for software have been estimated as follows:

Computer software	2 to 5 years	20% to 50%

Forestry Assets

Forestry Assets are independently valued at fair value less point of sale costs by North Langley and Associates (Registered Valuers) as at 30 June 2006. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

The costs to maintain the forestry assets are included in the Income Statement.

Gains or losses arising on initial recognition of forestry assets at fair value less estimated point of sale costs. The change in fair value is recognised in the Income Statement.

Non-current Assets Held For Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. This condition is regarded as met only when the sale is highly probable and the assets (or disposal group) is available for immediate sale in its present condition and the sale of the asset (or disposal group) is expected to be completed within one year from the date of classification. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the Income Statement.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Investment Property

Investment properties consist of miscellaneous housing properties. Investment properties are held primarily for capital growth, rental or similar income. Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, the Council measures all investment property at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the Income Statement.

Investment properties were valued by Quotable Value New Zealand (Registered Valuers) on 30 June 2007.

Overhead Allocation

All overhead costs have been allocated to significant activities. The method of allocation is based on the consumption of overhead costs by output activities. Overhead costs include administration expenses, employee related costs and building and depot costs.

Impairment of Non-Financial Assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are

5.12 Accounting Policies

reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace it's remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the Income Statement.

For assets not carried at a revalued amount, the total impairment loss is recognised in the Income Statement.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in Income Statement, a reversal of the impairment loss is also recognised in the Income Statement.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the Income Statement.

Equity

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.
The components of equity are:

- Retained earnings
- Other reserves
- Asset revaluation reserves

Reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council. Restricted reserves are those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. Transfers to and from these reserves are at the discretion of the Council.

Statement of Cash Flows

The Cash Flow Statement is prepared inclusive of GST. For the purpose of the Cash Flow Statement cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Council invests as part of its day-to-day cash management net of bank overdrafts.

Operating activities include cash received from all income sources of the Council and record the cash payments made for the supply of goods and services. Agency transactions (e.g. the collection of regional council rates) are recognised as receipts and payments in the Statement of Cash Flows given that they flow through the Council's main bank account.

Investing activities are those activities relating to the acquisition and disposal of non-current investments.

Financing activities comprise activities that change the equity and debt capital structure of the Council.

Budget Figures

The budget figures are those approved by the Council at the beginning of the year following consultation with the public as part of the Long Term Planning and Annual Planning Process. The budget figures have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and are consistent with the accounting policies adopted by the Council for preparation of the prospective financial statements.

Critical Accounting Estimates and Judgements

In preparing these prospective financial statements the Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are

5.12 Accounting Policies

continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Landfill Aftercare Provision

Note 16: Disclosure and Analysis is contained in Council's Annual Report. Note 16 of the 07/08 Annual Report contains this information.

Infrastructural Assets

There are a number of assumptions and estimates used when performing discounted replacement cost valuations over infrastructural assets. These include:

- the physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- estimating any obsolescence or surplus capacity of an asset; and
- estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over or under estimating the annual deprecation charge recognised as an expense in the Income Statement. To minimise this risk the Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Council's asset management planning activities, which gives the Council further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

Property, plant and equipment useful lives and residual values
At each balance date the Council reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Council to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Council, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the Income Statement, and carrying amount of the asset in the Balance Sheet. The Council minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programs;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

The Council has not made significant changes to past assumptions concerning useful lives and residual values.

Changes in Accounting Policy

There have been no changes in accounting policies since the date of the last audited prospective financial statements.

- **Cautionary Note**

The information in the prospective financial statements is uncertain and the preparation requires the exercise of judgement. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material. Events and information presented, and the variations may be material. Events and circumstances may not occur as expected or may not have been predicted or the Council may subsequently take actions that differ from proposed courses of action on which the prospective financial statements are based.

The information contained within these perspective financial statements may not be suitable for use in another capacity.