

Section C: Financial Information

Mokau Estuary

This section provides details on the financial implications of the Plan, including:

- Estimated Expenditure
- Revenue and Public Debt for the 2014/15 financial year
- Funding Impact Statements

Creating a better future with vibrant communities and thriving business.

Introduction

This section outlines Council's financial position for the 2013/14 financial year. The information that follows shows the impact of the measures Council has taken as it moves to a sustainable financial plan.

Summary of Estimated Revenue and Expenses Statement for all Council Activities

EAP 2013/14 \$000's		LTP 2014/15 \$000's	EAP 2014/15 \$000's	VARIANCE TO LTP \$000's
	Operating Income			
(1,833)	Community and Cultural Sustainability	(1,623)	(1,791)	(168)
(1,820)	Environmental Sustainability	(2,058)	(1,998)	60
(7,788)	Economic Sustainability	(7,250)	(7,471)	(221)
(11,441)	Total Operating Income	(10,931)	(11,260)	(329)
	Direct Operating Expenditure			
7,895	Community and Cultural Sustainability	8,687	8,377	(310)
5,419	Environmental Sustainability	6,612	5,769	(843)
11,229	Economic Sustainability	11,923	11,887	(36)
24,543	Total Operating Expenditure	27,222	26,033	(1,189)
13,102	Net Operating Cost/ (Surplus)	16,291	14,773	(1,518)
	Capital Expenditure			
1,452	Community and Cultural Sustainability	725	1,364	639
1,323	Environmental Sustainability	1,942	1,840	(102)
8,796	Economic Sustainability	7,051	6,951	(100)
11,571	Total Capital Expenditure	9,718	10,155	437
24,673	Total Net Expenditure	26,009	24,928	(1,081)
	Funded By			
(4,732)	Internal Loans Drawn	(4,081)	(3,451)	630
(3,092)	Reserves	(3,142)	(4,138)	(996)
(2,134)	General Rates	(2,328)	(3,373)	(1,045)
(3,985)	UAGC	(4,350)	(3,116)	1,234
(10,730)	Target Rates	(12,108)	(10,850)	1,258
(24,673)	Total Funding	(26,009)	(24,928)	1,081

Summary of Estimated Revenue and Expenses Statement for Community and Cultural Sustainability

EAP 2013/14 \$000's		LTP 2014/15 \$000's	EAP 2014/15 \$000's	VARIANCE TO LTP \$000's
	Operating Income			
(593)	Leadership	(524)	(547)	(23)
(599)	Community Services	(425)	(803)	(378)
(232)	Community Development	(237)	(78)	159
(409)	Regulation	(437)	(363)	74
(1,833)	Total Income	(1,623)	(1,791)	(168)
	Direct Operating Expenditure			
2,478	Leadership	3,313	2,865	(448)
3,503	Community Services	3,429	3,731	302
1,192	Community Development	1,191	1,097	(94)
722	Regulation	754	684	(70)
7,895	Total Direct Expenditure	8,687	8,377	(310)
6,062	Net Operating Cost/ (Surplus)	7,064	6,586	(478)
	Capital Expenditure			
1,452	Community Services	725	1,364	639
1,452	Total Capital Expenditure	725	1,364	639
7,514	Net Expenditure	7,789	7,950	161
	Funded By			
(1,024)	Internal Loans	(621)	(829)	(208)
(367)	Reserves	(434)	(518)	(84)
(2,070)	General Rates	(2,264)	(3,295)	(1,031)
(3,672)	UAGC	(4,020)	(2,890)	1,130
(381)	Target Rate	(450)	(418)	32
(7,514)	Total Funding	(7,789)	(7,950)	(161)

Summary of Estimated Revenue and Expenses Statement for Environmental Sustainability

EAP 2013/14 \$000's		LTP 2014/15 \$000's	EAP 2014/15 \$000's	VARIANCE TO LTP \$000's
	Operating Income			
(1,111)	Solid Waste Management	(1,180)	(1,090)	90
(80)	Resource Management	(86)	(80)	6
(629)	Sewerage	(792)	(828)	(36)
(1,820)	Total Income	(2,058)	(1,998)	60
	Direct Operating Expenditure			
1,848	Solid Waste Management	2,328	1,793	(535)
380	Stormwater	419	400	(19)
198	Resource Management	196	176	(20)
2,993	Sewerage	3,669	3,400	(269)
5,419	Total Direct Expenditure	6,612	5,769	(843)
3,599	Net Operating Cost/ (Surplus)	4,554	3,771	(783)
	Capital Expenditure			
96	Solid Waste Management	852	901	49
367	Stormwater	136	354	217
860	Sewerage	954	585	(369)
1,323	Total Capital Expenditure	1,942	1,840	(102)
4,922	Net Expenditure	6,496	5,611	(885)
	Funded By			
(824)	Internal Loans Drawn	(1,794)	(1,346)	448
(801)	Reserves	(615)	(876)	(261)
(64)	General Rates	(64)	(78)	(14)
(64)	UAGC	(64)	(40)	24
(3,169)	Targeted Rates	(3,959)	(3,270)	689
(4,922)	Total Funding	(6,496)	(5,611)	885

Summary of Estimated Revenue and Expenses Statement for Economic Sustainability

EAP 2013/14 \$000's		LTP 2014/15 \$000's	EAP 2014/15 \$000's	VARIANCE TO LTP \$000's
	Operating Income			
(2,117)	Water Supply	(726)	(1,486)	(760)
(5,671)	Roads and Footpaths	(6,524)	(5,985)	539
(7,788)	Total Income	(7,250)	(7,471)	(221)
	Direct Operating Expenditure			
2,164	Water Supply	2,411	2,587	176
9,065	Roads and Footpaths	9,512	9,300	(212)
11,229	Total Direct Expenditure	11,923	11,887	(36)
3,441	Net Operating Cost/ (Surplus)	4,673	4,416	(257)
	Capital Expenditure			
4,096	Water Supply	1,150	1,688	538
4,700	Roads and Footpaths	5,901	5,263	(638)
8,796	Total Capital Expenditure	7,051	6,951	(100)
12,237	Net Expenditure	11,724	11,367	(357)
	Funded By			
(2,884)	Internal Loans Drawn	(1,666)	(1,276)	390
(1,924)	Reserves	(2,093)	(2,743)	(650)
(249)	UAGC	(266)	(186)	80
(7,180)	Target Rates	(7,699)	(7,162)	537
(12,237)	Total Funding	(11,724)	(11,367)	357

Prospective Statement of Financial Position as at 30 June

Note: This table is also referred to as Balance Sheet.

EAP 2013/14 \$000's		LTP 2014/15 \$000's	EAP 2014/15 \$000's
	Public Equity		
200,041	Accumulated Comprehensive Revenue and Expenses	204,958	204,380
4,969	Council Created Reserves	2,243	3,656
4	Available for Sale Reserves	4	4
(701)	Hedging Reserve	(101)	(150)
68,617	Revaluation Reserves	71,401	68,383
272,930		278,505	276,273
	Current Assets		
100	Cash and Cash Equivalents	100	171
2	Other Financial Assets	2	2
27	Inventories	38	44
0	Land Subdivision Inventories	985	0
6,702	Trade and Other Receivables	4,953	0
0	Receivables from Exchange Transactions	0	280
0	Recoverables from Non-exchange Transactions	0	5,481
6,831	Total Current Assets	6,078	5,978
	Current Liabilities		
4,036	Payables Under Exchange Transactions	3,863	3,594
5,200	Current Portion of Borrowings	671	5,200
52	Provisions	51	15
470	Employee Entitlements	485	475
265	Derivative Financial Instruments	118	274
10,023	Total Current Liabilities	5,188	9,558
(3,192)	Net Working Capital	890	(3,580)
	Non Current Assets		
319,259	Property, Plant & Equipment	328,423	327,633
91	Intangible Assets	85	76
39	Forestry Assets	39	44
728	Investment Property	657	669
958	Assets Held for Sale	0	909
815	Other Financial Assets	837	787
46	Derivative Financial Instruments	54	239
321,936	Total Non Current Assets	330,095	330,357
	Non Current Liabilities		
0	Payables Under Exchange Transactions	0	790
44,543	Borrowings	51,449	48,795
61	Employee Entitlements	65	62
727	Provisions	928	741
483	Derivative Financial Instruments	38	116
45,814	Total Non Current Liabilities	52,480	50,504
272,930	Net Assets/ Equity	278,505	276,273

Prospective Statement of Comprehensive Revenue and Expenses

EAP 2013/14 \$000's		LTP 2014/15 \$000's	EAP 2014/15 \$000's
	Revenue		
7,120	Subsidies	6,315	6,865
107	Investment Revenue	5	53
17,248	Rates Revenue (Including Penalties)	19,117	17,749
529	Water By Meter Rates	726	699
3,307	Fees and Charges	3,560	3,233
32	Gains/Loss on Revaluation of Investment Property	0	8
28,343	Total Revenue	29,723	28,607
	Expenditure		
3,355	Employee Benefit Expenses	3,343	4,117
5,303	Depreciation and Amortisation	5,115	6,105
2,738	Finance Costs	3,627	3,102
13,200	Other Expenditure	15,143	12,717
0	Impairment Losses	0	0
24,596	Total Expenditure	27,228	26,041
3,747	Surplus/(Deficit) Before Tax	2,495	2,566
0	Less Taxation Expense	0	0
3,747	Net Surplus/(Deficit)	2,495	2,566
	Other Comprehensive Revenue and Expenses		
0	Gains/(Loss) on Revaluation of Investment Property	0	0
3,747	Total Comprehensive Revenue and Expenses for the year	2,495	2,566

Prospective Statement of Changes in Net Assets/ Equity

EAP 2013/14 \$000's		LTP 2014/15 \$000's	EAP 2014/15 \$000's
269,183	Balance at 1 July	254,874	273,707
0	Property, Plant and Equipment Gains	21,136	0
0	Net Income Recognised Directly in Net Assets/ Equity	21,136	0
3,747	Net Surplus/(Deficit) for the Year	2,495	2,566
3,747	Total Comprehensive Revenue for the year Ended 30 June	23,631	2,566
272,930	Balance at 30 June	278,505	276,273

Prospective Cashflow Statement

EAP 2013/14 \$000's		LTP 2014/15 \$000's	EAP 2014/15 \$000's
	Cash flow from Operating Activities		
	<i>Provided from</i>		
17,053	Rates Revenue Including Penalties	18,956	20,181
7,120	Subsidies and Grants	6,315	7,894
415	Property Rentals	460	406
129	Petrol Tax	138	120
107	Interest from Investments	5	53
3,291	Other Revenue	3,689	3,918
0	Dividend and Subvention Receipts	0	0
28,115		29,563	32,572
	<i>Applied to</i>		
15,936	Payments to Suppliers and Employees	17,785	18,030
293	Elected Members	323	260
2,738	Interest Paid on Borrowings	3,627	3,102
0	GST Received/(Paid) (Net)	0	780
18,967		21,735	22,172
9,148	Net cash flows from operating activities	7,828	10,400
	Cash flow from investing activities		
	<i>Applied to</i>		
11,803	Purchase and Development of Property, Plant and Equipment	10,060	12,464
	<i>Provided from</i>		
0	Proceeds from Sale of Assets Held for Sale	0	77
14	Repayment from Advances	2	2
11,789	Net cash flow from investing activities	10,058	12,385
	Cash flow from financing activities		
	<i>Provided from</i>		
7,841	Proceeds from Borrowings	7,430	7,185
	<i>Applied to</i>		
5,200	Repayment of Borrowings	5,200	5,200
2,641	Net cash flow financing activities	2,230	1,985
0	Net Increase/(Decrease) in Cash	0	0
100	Cash at Start of Period	100	171
100	Balance of cash at end of year	100	171
100	Cash and cash equivalents	100	171

Prospective Statement of Reserve Fund Movements

EAP 2013/14 \$000's		LTP 2014/15 \$000's	EAP 2014/15 \$000's
4,387	Balance 1 July	2,826	4,669
583	Transfer to/from Reserves	(583)	(1,013)
4,970	Council Created Reserves	2,243	3,656

Note: Reserves are not necessarily matched by available cash. Reserves form part of Council's total equity which is matched by net assets (i.e. assets less liabilities, both current and non-current).

The use of reserves as a funding tool will therefore result in either a decrease in available cash, or, where cash is not available, an increase in the Council's total debt facilities.

Prospective Statement of Public Debt

EAP 2013/14 \$000's		LTP 2014/15 \$000's	EAP 2014/15 \$000's
47,102	Balance 1 July	49,890	52,010
7,841	Loans Raised	7,430	7,185
(5,200)	Loans Repaid	(5,200)	(5,200)
49,743	Balance 30 June	52,120	53,995

Note: Loans raised or repaid in the Public Debt, Cashflow and Statement of Financial Position Prospective Statements are based on budgeted cashflow requirements, which includes working capital considerations, and do not equate to either the internal loans drawn or the external loan repayments shown in the Funding Impact Statement or the Summary of Cost of Service Statements.

Reconciliation of Summary of Estimated Revenue and Expenses Statement for All Council Activities to Prospective Statement of Comprehensive Revenue and Expenses

EAP 2013/14 \$000's		LTP 2014/15 \$000's	EAP 2014/15 \$000's
	From Summary Cost of Service Statement		
13,102	Net Operating Cost/Surplus	16,291	14,773
	Plus Rates Revenue		
(2,134)	General Rates	(2,328)	(3,373)
(3,985)	UAGC	(4,350)	(3,116)
(10,730)	Targeted Rates	(12,108)	(10,850)
(3,747)	Net (Surplus)/Deficit	(2,495)	(2,566)
	From Prospective Comprehensive Statement of Revenue and Expenses		
3,747	Net Surplus/(Deficit)	2,495	2,566
0	Variance	0	0

Prospective Statement of Capital Expenditure

EAP 2013/14 \$000's		LTP 2014/15 \$000's	EAP 2014/15 \$000's
	Community Service		
99	Parks and Reserves	107	107
722	Housing and Other Property	108	874
398	Recreation and Culture	441	304
233	Public Amenities	69	79
1,452		725	1,364
	Solid Waste Management		
96	Landfill Management	852	901
96		852	901
	Stormwater		
362	Te Kuiti Stormwater	131	349
5	Rural Stormwater	5	5
367		136	354
	Sewerage		
671	Te Kuiti	491	515
10	Te Waitere	11	5
78	Benneydale	0	65
101	Piopio	452	0
860		954	585
	Water Supply		
3,242	Te Kuiti	1,123	1,540
810	Mokau	11	80
41	Piopio	13	65
3	Benneydale	3	3
4,096		1,150	1,688
	Roads and footpaths		
4,435	Subsidised Roads	5,503	4,923
265	Non-subsidised Roads	398	340
4,700		5,901	5,263
	Corporate Support		
230	Corporate Support	344	683
230		344	683
11,801	Total Capital and Renewal Expenditure	10,062	10,838

Funding Impact Statement

Introduction

Council is required under clause 20 of Schedule 10 of the Local Government Act 2002 (LGA) to adopt a Funding Impact Statement. Pages 61-79 of this Plan show Council's Funding Impact Statement.

The Funding Impact Statement provides a summary of Council's funding sources, and how the funds are to be applied as well as the detailed rate requirement, for the 2014/15 financial year.

The Funding Impact Statement represents the fiscal outcome from the Revenue and Financing Policy. **The Revenue and Financing Policy is available on Council's website - www.waitomo.govt.nz**

Rates Remissions and Postponements

Remissions

Council has developed a rates remissions policy as per LGA (section 102 (3)(a) and 109) and LGRA (Section 85). It includes the objectives of the remissions targeting each of social, cultural, environmental and economic well-beings. Remissions categories include Properties Used Jointly as a Single Unit, Community Organisations, Financial Hardship, Organisations Providing Care for the Elderly, Clubs and Societies, New Subdivisions, Council Properties, Maori Freehold Land and Piopio Schools Sewage. The value of these remissions is \$245,000 for 2014/15 year.

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 (SUIP)

The Council has resolved that the basis of calculating liability for the uniform Annual General Charge (UAGC) and for certain targeted uniform annual charges (TUACs), will be the number of 'separately used or inhabited parts' (SUIPs) of rating units.

Council levies TUACs in all rating areas of the District on a SUIP basis for provision of:

- Water Supplies
- Sewerage Systems
- Solid Waste Management
- Solid Waste Collection
- Non-subsidised Rooding
- Te Kuiti Swimming Pool
- Marokopa Community Centre
- Rural Stormwater

Definition of SUIP

For these purposes a SUIP is defined as including 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 forming the SUIP 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 SUIP.

1. STATEMENT OF FUNDING SOURCES

The table on the following page provides a summary of the funding sources for 2014/15. 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 2014/15 financial year. This adjustment results in the transfer of \$1,049,822* from the Uniform Annual General Charge to the General Rate 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. The above adjustment is reflected in the Estimated Cost of Service Statements.

Explanation of Rates adjustment between General Rate and UAGC

	Year 2014/15	
	General Rate	UAGC
	\$000's	\$000's
Rate requirement before application of Section 101(3)(b) adjustment.	2,323	4,166
* Section 101(3)(b) Adjustment	1,050	(1,050)
Subtotal	3,373	3,116
Add - GST @ 15%	506	467
Total Requirement (incl GST) (as per Sections 3 and 4 - Funding Impact Statement)	3,879	3,583

2. FUNDING CAP FOR UNIFORM CHARGES

Section 21 of the Local Government (Rating) Act 2002 requires that revenue from certain rates must not exceed 30% of total rates revenue. Those rates include Uniform Annual General Charges and Targeted Rates that are set on a uniform basis.

Council is not in breach of the Funding Cap for this Annual Plan. The uniform charges for 2014/15 are 20.9% (26.9% before Section 101(3)(b) adjustment), of the total rates revenue.

Statement of Funding Sources

EAP 2013/14 \$000's		LTP 2014/15 \$000's	EAP 2014/15 \$000's	VARIANCE TO LTP \$000's
	Targeted Rates			
2,057	Sewerage	2,410	2,185	(225)
1,535	Water	1,675	1,531	(144)
472	Targeted Services	516	472	(44)
138	District Development Rate	185	159	(26)
14	Piopia Retirement Village Contribution	14	15	1
5,399	Roads and Footpaths	5,755	5,399	(356)
485	Solid Waste Management	871	505	(366)
244	Solid Waste Collection	260	191	(69)
382	Stormwater	419	389	(30)
4	Marokopa Community Centre	4	4	0
10,730	Total Targeted Rates	12,109	10,850	(1,259)
3,098	UAGC	4,350	3,116	(1,234)
3,021	General Rates	2,328	3,373	1,045
16,849	Total Rates	18,787	17,339	(1,448)
3.2%	Percentage Rate Increase	7.6%	2.9%	
	Other Revenue			
7,120	Subsidies	6,315	6,865	550
107	Interest Revenue	5	53	48
400	Rates Penalties Revenue	330	410	80
3,867	Fees & Charges	4,287	3,940	(347)
11,494	Total Other Revenue	10,937	11,268	331
	Other Funding Sources			
4,733	Internal Loans Raised	4,080	3,451	(629)
4,733	Total Other Funding	4,080	3,451	(629)
33,076	Total Funds Used	33,804	32,058	(1,746)
19,292	Operating Expenditure	22,114	19,936	(2,178)
11,803	Capital Expenditure (Including Corporate Support)	10,060	10,838	778
1,371	Loan Repayments	2,213	1,506	(707)
610	Reserve Transfers	(583)	(222)	361
33,076		33,804	32,058	(1,746)

3. GENERAL RATE

Description and Use

The General Rate is assessed as a rate per \$100 of capital value across the District. The General Rate is not set differentially. The rationale for assessing the General Rate using Capital Value is contained in the Revenue and Financing Policy.

The General Rate will contribute to the funding of:

- Governance: Leadership and Investments
- Leased Reserves
- Housing and Other Property
- District Libraries
- District Swimming Pool
- Arts Culture and Heritage
- Aerodrome
- Public Amenities
- Economic Development
- District Development
- Safety
- Regulation
- Waste Minimisation
- Resource Management

Requirement in 2014/15 (incl. GST)

General Rate	Rate per \$100 capital value	Total Revenue Requirement (\$000)
All rating units in the District	0.13590	3,879

4. UNIFORM ANNUAL GENERAL CHARGE

Description and Use

Council will set a Uniform Annual General Charge (UAGC) per 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:

- Governance: Leadership and Investments
- Parks and Reserves
- District Libraries
- District Swimming Pool
- Arts, Culture and Heritage
- Housing and Other Property
- Public Amenities
- Community Support
- Sister City (Agencies)
- Automobile Association
- Environmental Health
- Safety
- Regulation
- Solid Waste
- Resource Management
- Waste Minimisation
- Subsidised Rooding

Requirement in 2014/15 (incl. GST)

Uniform Annual General Charge	Charge per SUIP	Total Revenue Requirement (\$000)
All rating units in the district.	\$650	3,583

5. TARGETED RATES

Description and Use

Targeted Rates are set on categories of land defined 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 on a uniform amount set per separately used or inhabited part of a rating unit (SUIP) or set per rating unit.

5.1 Targeted Rates Based on Location

Council will use location (Schedule 2(6) LGRA) to define the land liable for the Targeted Services TUAC, Piopio Sewerage TUAC, Piopio Retirement Village Contribution TUAC, Rural Stormwater TUAC, Te Kuiti Urban Stormwater TUAC and rate, and Marokopa Community Centre 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 2010 Triennial Elections.
2. Te Kuiti Urban and Periphery Rating Area	All rating units situated within a 5km radius, all around, from the Information Centre (deemed to be the centre of town), in Te Kuiti. (Refer Revenue and Financing Policy)*
3. Rural Rating Area	All rating units situated within the Rural Ward as defined by the Basis of Election for the 2010 Triennial Elections.
4. Piopio Wider Benefit Rating Area	All rating units situated in the rural areas around Piopio Township (excluding Rating units situated within Piopio Township) that are deemed to indirectly benefit from the Piopio Sewerage reticulation network. (Refer Revenue and Financing Policy)*

* **The Revenue and Financing Policy is available on WDC's website www.waitomo.govt.nz/publications/policy/**

(a) Targeted Services TUAC - Te Kuiti Urban and Rural Rating Area

Description and Use

Council will set a Targeted Services TUAC per separately used or inhabited part of a rating unit in the District, differentiated by rating areas, to fund the Non-subsidised Rooding 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 Area (rest of the District, not including Rating units in the Te Kuiti urban and periphery Rating area).

Requirement in 2014/15 (incl. GST)

Targeted Services TUAC	Charge per SUIP	Total Revenue Requirement (\$000)
Te Kuiti Urban and Periphery	\$185	431
Rural Area	\$35	112

(b) Piopio Sewerage TUAC - Piopio Wider Benefit Rating Areas

Council will set a Targeted Services TUAC on every rating unit situated within the Piopio Wider Benefit Rating Area to assist the funding of the sewerage reticulation networks in Piopio. The rationale for use of this rate is contained in the Revenue and Financing Policy.

Requirement in 2014/15 (incl. GST)

Targeted Services TUAC	Charge	Total Revenue Requirement (\$000)
Piopio Wider Benefit Rating Area	\$10	6

(c) Piopio Retirement Village TUAC, Piopio Township and Piopio Wider Benefit Rating Area

Council will set a Targeted Services TUAC per rating unit situated within the Piopio Township and the Piopio Wider Benefit Rating Area to fund the support of the continued delivery of elderly housing accommodation services provided by the Piopio Retirement Trust Inc. through the remission of service charges. The rationale for use of this rate is contained in the Revenue and Financing Policy.

Requirement in 2014/15 (incl. GST)

Targeted Services TUAC	Charge	Total Revenue Requirement (\$000)
Piopio Wider Benefit Rating Area and Piopio Township	\$23	17

(d) Rural Stormwater TUAC - Rural Rating Area

Description and Use

Council will set a TUAC per separately used or inhabited part of a rating unit in the Rural Rating Area of the District to fund the Rural Stormwater Activity.

Requirement in 2014/15 (incl. GST)

Rural Stormwater TUAC	Charge per SUIP	Total Revenue Requirement (\$000)
Rural Rating Area	\$15	53

(e) Te Kuiti Urban Stormwater TUAC and Targeted Rate

Description and Use

- (i) Council will set a TUAC per rating unit in the Te Kuiti Urban area to partly fund the Urban Stormwater Activity.
- (ii) Council will set a Targeted Rate to partly fund the Urban Stormwater Activity, to be assessed as a rate per \$100 of Capital value on every separate rating unit in the Te Kuiti Urban Rating Area excluding those in respect of which there is a current resource consent to discharge stormwater into the Mangaokewa Stream, and so are not using any part of the urban reticulated stormwater or drainage network.

Requirement in 2014/15 (incl. GST)

Urban Stormwater TUAC	Charge per rating unit	Total Revenue Requirement (\$000)
Te Kuiti Urban Rating Area	\$150	267

Urban Stormwater Rate	Rate per \$100 Capital Value	Total Revenue Requirement (\$000)
Te Kuiti Urban Rating Area (excluding rating units not using network, see e(ii))	0.04321	128

(f) Marokopa Community Centre TUAC

Council will set a TUAC levied per separately used or inhabited part of a rating unit within the defined Marokopa Community Centre Rating Area.

(Refer Appendix 3 of Revenue and Financing Policy)

Requirement in 2014/15 (incl. GST)

Marokopa Community Centre TUAC	Charge per SUIP	Total Revenue Requirement (\$000)
Marokopa Community Centre Rating Area	\$23	4

5.2 Targeted Rates Based on Service Provision

Description and Use

Council will use provision or availability to the land of a service (Schedule 2(5) LGRA) to define the land liable for Water Supply and Sewerage charges. For these purposes, the service is available (and the rating unit is 'serviceable') if:

Water	The rating unit is within 100m of water main and practicably serviceable in the opinion of Council.
Sewerage	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 TUAC is set per separately used or inhabited part of a rating unit within the relevant community, with liability calculated based on whether the SUIP is connected, or merely serviceable.

Requirement in 2014/15 (incl. GST)

Water Supply (TUAC)	Charge		Total Revenue Requirement (\$000)
	Per connected SUIP	Per serviceable SUIP	
Te Kuiti	\$501	\$250	1,036
Piopio	\$995	\$498	245
Benneydale	\$1,400	\$700	162
Mokau	\$1,400	\$700	297

Any rating unit situated in Te Kuiti, Piopio, Benneydale or Mokau that has been fitted with a water meter and defined as being an extraordinary water user (defined in Council's Water Bylaw) will be assessed a targeted rate based on the volume of water consumed over and above an annual consumption of 292m³ per SUIP.

Requirement in 2014/15 (incl. GST)

Water Supply Rate	2014/15 Charge per cubic metre (including GST)
Te Kuiti	\$1.90
Piopio	\$3.65
Benneydale	\$6.00
Mokau	\$9.20

5.4 Subsidy Rate for Benneydale Water Supply

Description and Use

Council will set a TUAC 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 Water Supply	Charge	Total Revenue Requirement (\$000)
All Rating Units in the District	\$4	18

5.5 Sewerage Rates

Description and Use

Council will set a TUAC to provide for the collection and disposal of sewage, differentiated on the basis of community supply area. The TUAC is set per separately used or inhabited part of a rating unit within the community, with liability calculated based on whether the SUIP is connected to the sewerage network, or merely serviceable.

Requirement in 2014/15

Sewerage TUAC	Charge		Total Revenue Requirement (\$000)
	Per connected SUIP	Per serviceable SUIP	
Benneydale	\$1,100	\$550	119
Te Waitere	\$1,100	\$550	16
Te Kuiti	\$946	\$473	1,601
Piopio	\$1,100	\$550	241

A Trade Waste Contribution TUAC will also be set per rating unit in the District in recognition of the contribution made to the social and economic well-being of the District by the large industrial users of the Te Kuiti Wastewater Network. The rationale for use of this rate is contained in the Revenue and Financing Policy.

Trade Waste Contribution	Charge	Total Revenue Requirement (\$000)
	Per rating unit	
All Rating Units in the District	\$44	203

Te Kuiti

In Te Kuiti for all residential properties, Council will set a TUAC per 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 categorised by the business hours of operation as calculated below.

Category	Calculation factor per pan	Base Charge	Total Revenue Requirement (\$000)
Business hours more than 40 hours	0.76	\$719	47
Business hours equal to 40 hours	0.36	\$341	48
Business hours less than 40 hours	0.20	\$189	7

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	Total Revenue Requirement (\$000)
Business hours more than 40 hours	0.76	\$719	107
Business hours equal to 40 hours	0.36	\$341	17
Business hours less than 40 hours	0.20	\$189	28

5.6 Subsidy Rate for Te Waitere Sewerage

Description and Use

Council will set a TUAC 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)
All rating units in the District	\$7	32

5.7 Subsidy Rate for Benneydale Sewerage

Description and Use

Council will set a TUAC 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)
All rating units in the District	\$9	41

6.0 Roads and Footpaths Rate

Description and Use

Council will set a Roads and Footpaths Rate as a rate per \$100 of capital value across the District to part fund Subsidised Rooding (part of Roads and Footpaths Activity). Rationale for use of the rate is contained in the Revenue and Financing Policy.

Requirement in 2014/15 (incl. GST)

District Roads and Footpaths Rate	Rate per \$100 Capital Value	Total Revenue Requirement (\$000)
All rating units in the District	0.21756	6,208

7.0 Solid Waste Collection

Description and Use

Council will set a TUAC per 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 2014/15 (incl. GST)

Solid Waste Collection (TUAC)	Charge per SUIP	Total Revenue Requirement (\$000)
Te Kuiti	\$54	107
Waitomo	\$74	41
Piopio	\$125	29
Mokau	\$156	44

8.0 Solid Waste Management

Description and Use

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

Requirement in 2014/15 (incl. GST)

Solid Waste Management (TUAC)	Charge per SUIP	Total Revenue Requirement (\$000)
All rating units in the District	\$104	584

9.0 District Development Rate

Description and Use

Council will set a District Development Rate as a rate per \$100 of capital value, differentiated between Commercial and Industrial Businesses, and Rural Businesses, to part fund Economic Development, Visitor Information Centre, District and Regional Promotion and Event Co-ordination. Refer to the Revenue and Financing Policy for details.

Requirement in 2014/15 (incl. GST)

District Development Rate	Rate per \$100 Capital Value	Total Revenue Requirement (\$000)
Commercial and Industrial Businesses	0.03083	91
Rural Businesses	0.00475	91

10.0 Rates Payments

Pursuant to Section 24 of the Local Government (Rating) Act 2002, rates for the financial year commencing 1 July 2014 will be payable in four equal instalments with the due dates for payment being:

1st Instalment	29 August 2014 (Friday)
2nd Instalment	28 November 2014 (Friday)
3rd Instalment	27 February 2015 (Friday)
4th instalment	29 May 2015 (Friday)

(N.B. The due date for payment of each instalment is the last working day in each of the months specified above).

11.0 Penalties

Pursuant to sections 57 and 58 of the Local Government (Rating) Act 2002, Council may apply penalties as follows:

- (a) A penalty charge of 10 percent (10%) on any part of an instalment that has been assessed for the financial year commencing 1 July 2014 and which remains unpaid after 5pm on the due date for payment of that instalment, to be added on the penalty dates below:

Instalment 1	2 September 2014
Instalment 2	2 December 2014
Instalment 3	3 March 2015
Instalment 4	2 June 2015

- (b) A further penalty charge of 10 percent (10%) on any part of any rates assessed before 1 July 2014 that remains unpaid on 1 July 2014, to be added on 4 July 2014.

Rates Example 2013/14

	Te Kuiti Residential \$170,000 2013/2014	Te Kuiti Commercial \$255,000 2013/2014	Te Kuiti Wider Rating Area \$630,000 2013/2014	Waitomo Commercial \$1,100,000 2013/2014	Benneydale Residential \$44,000 2013/2014	Piopio Residential \$127,000 2013/2014	Piopio Wider Rating Area \$365,000 2013/2014	Mokau Residential \$270,000 2013/2014	Drystock Rural \$3,075,000 2013/2014	Dairy Farm Rural \$5,550,000 2013/2014
Uniform Annual General Charge (UAGC)	650	650	650	1,950	650	650	650	650	650	1,300
General Rate	208	312	770	1,345	54	155	446	330	3,759	6,784
District Wide Roading Rate	371	557	1,376	2,402	96	277	797	590	6,716	12,121
Targeted Services Rate (Urban)	187	187	187	-	-	-	-	-	-	-
Targeted Services Rate (Rural)	-	-	-	105	35	35	35	35	35	70
District Development Rate - Commercial	-	68	-	294	-	-	-	-	-	-
District Development Rate - Rural Business	-	-	-	-	-	-	-	-	127	230
Subsidy Rate for Te Waitere Sewerage	4	4	4	4	4	4	4	4	4	4
Subsidy Rate for Benneydale Sewerage	5	5	5	5	5	5	5	5	5	5
Subsidy Rate for Mokau Water	13	13	13	13	13	13	13	13	13	13
Stormwater Urban Fixed Charge	150	150	-	-	-	-	-	-	-	-
Stormwater Urban Capital Value	76	114	-	-	-	-	-	-	-	-
Stormwater (Rural)	-	-	12	36	12	12	12	12	12	24
Water Supply	501	501	-	-	1,400	899	-	1,400	-	-
Sewerage	900	684	-	-	1,100	1,100	-	-	-	-
Piopio Wider Rating Area - Sewerage	-	-	-	-	-	-	9	-	9	-
Piopio Retirement Village Contribution	-	-	-	-	-	21	21	-	21	-
Te Kuiti Trade Waste Contribution	39	39	39	39	39	39	39	39	39	39
Solid Waste Management - District	100	100	100	300	100	100	100	100	100	200
Solid Waste Collection & Recycling	70	70	95	-	-	161	-	188	-	190
Total Rates 2013/14	3,274	3,454	3,251	6,493	3,508	3,471	2,131	3,366	11,490	20,980

Rates Example 2014/15

(Including GST) Capital Value \$ as at September 2012	Te Kuiti Residential \$170,000 2014/2015	Te Kuiti Commercial \$255,000 2014/2015	Te Kuiti Wider Rating Area \$630,000 2014/2015	Waitomo Commercial \$1,100,000 2014/2015	Benneydale Residential \$44,000 2014/2015	Piopio Residential \$127,000 2014/2015	Piopio Wider Rating Area \$365,000 2014/2015	Mokau Residential \$270,000 2014/2015	Drystock Rural \$3,075,000 2014/2015	Dairy Farm Rural \$5,550,000 2014/2015
Uniform Annual General Charge (UAGC)	650	650	650	1,950	650	650	650	650	650	1,300
General Rate	231	347	856	1,495	60	173	496	367	4,179	7,542
District Wide Roading Rate	370	555	1,371	2,393	96	276	794	587	6,690	12,075
Targeted Services Rate (Urban)	185	185	185	-	-	-	-	-	-	-
Targeted Services Rate (Rural)	-	-	-	105	35	35	35	35	35	70
District Development Rate - Commercial	-	79	-	339	-	-	-	-	-	-
District Development Rate - Rural Business	-	-	-	-	-	-	-	-	146	264
Subsidy Rate for Te Waitere Sewerage	7	7	7	7	7	7	7	7	7	7
Subsidy Rate for Benneydale Sewerage	9	9	9	9	9	9	9	9	9	9
Subsidy Rate for Benneydale Water	4	4	4	4	4	4	4	4	4	4
Stormwater Urban Fixed Charge	150	150	-	-	-	-	-	-	-	-
Stormwater Urban Capital Value	73	110	-	-	-	-	-	-	-	-
Stormwater (Rural)	-	-	15	45	15	15	15	15	15	30
Water Supply	501	501	-	1,400	1,400	995	-	1,400	-	-
Sewerage	946	719	-	1,100	1,100	1,100	-	-	-	-
Piopio Wider Rating Area - Sewerage	-	-	-	-	-	-	10	-	10	-
Piopio Retirement Village Contribution	-	-	-	-	-	23	23	-	23	-
Te Kuiti Trade Waste Contribution	44	44	44	44	44	44	44	44	44	44
Solid Waste Management - District	104	104	104	312	104	104	104	104	104	208
Solid Waste Collection & Recycling	54	54	74	-	-	125	-	156	-	148
Proposed Total Rates 2014/15	3,328	3,518	3,319	6,703	3,524	3,560	2,191	3,378	11,916	21,701
Total Rates (Actual) 2013/14	3,274	3,454	3,251	6,493	3,508	3,471	2,131	3,366	11,490	20,980
Change (%)	1.7%	1.9%	2.1%	3.2%	0.4%	2.6%	2.8%	0.3%	3.7%	3.4%

Funding Impact Statements (Local Government (Financial Reporting) Regulations 2011)

The following information is presented in compliance with the Local Government (Financial Reporting) Regulations 2011 and should not be relied upon for any other purpose than compliance with the Regulations. It is incomplete (in particular, the information presented does not include depreciation and internal transactions such as overheads) and it is not prepared in compliance with generally accepted accounting practice.

COUNCIL	EAP 2013/14 \$000's	LTP 2014/15 \$000's	EAP 2014/15 \$000'S
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	6,518	7,009	6,899
Targeted rates	10,728	12,108	10,850
Subsidies and grants for operating purposes	2,809	3,010	2,857
Fees and charges	3,501	4,042	4,009
Interest and Dividends from Investments	107	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	202	146	182
Total operating funding (A)	23,865	26,315	24,797
Applications of operating funding			
Payments to staff and suppliers	16,816	18,708	17,068
Finance costs	2,710	3,601	3,074
Other operating funding applications	0	0	0
Total applications of operating funding (B)	19,526	22,309	20,142
Surplus (deficit) of operating funding (A-B)	4,339	4,006	4,655
Sources of capital funding			
Subsidies and grants for capital expenditure	4,450	3,302	3,802
Development and financial contributions	0	0	0
Increase (decrease) in debt	4,732	4,081	3,451
Gross proceeds from sale of assets	100	106	100
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	9,282	7,489	7,353
Applications of capital funding			
Capital expenditure - to meet additional demand	0	0	0
Capital expenditure - to improve the level of service	5,496	3,144	3,633
Capital expenditure - to replace existing assets	6,097	6,638	6,996
Increase (decrease) in reserves	2,028	1,713	1,379
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	13,621	11,495	12,008
Surplus (deficit) of capital funding (C-D)	(4,339)	(4,006)	(4,655)
Funding Balance ((A-B)+(C-D))	0	0	0

LEADERSHIP AND INVESTMENTS

	EAP 2013/14 \$000's	LTP 2014/15 \$000's	EAP 2014/15 \$000'S
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	2,277	2,780	2,391
Targeted rates	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees and charges	116	88	85
Internal Charges and overheads recovered	12,212	12,376	14,578
Local authorities fuel tax, fines, infringement fees and other receipts	106	5	53
Total operating funding (A)	14,711	15,249	17,107
Applications of operating funding			
Payments to staff and suppliers	6,103	6,292	7,341
Finance costs	2,685	3,576	3,049
Internal charges and overheads applied	5,697	5,470	6,697
Other operating funding applications	0	0	0
Total applications of operating funding (B)	14,485	15,338	17,087
Surplus (deficit) of operating funding (A-B)	226	(89)	20
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	239	230
Gross proceeds from sale of assets	100	106	100
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	100	345	330
Applications of capital funding			
Capital expenditure - to meet additional demand	0	0	0
Capital expenditure - to improve the level of service	184	344	668
Capital expenditure - to replace existing assets	46	0	15
Increase (decrease) in reserves	96	(88)	(333)
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	326	256	350
Surplus (deficit) of capital funding (C-D)	(226)	89	(20)
Funding Balance ((A-B)+(C-D))	0	0	0

COMMUNITY SERVICE	EAP 2013/14 \$000's	LTP 2014/15 \$000's	EAP 2014/15 \$000's
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	2,774	2,744	2,972
Targeted rates	230	252	244
Subsidies and grants for operating purposes	0	0	0
Fees and charges	387	424	702
Internal Charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	10	1	1
Total operating funding (A)	3,401	3,421	3,919
Applications of operating funding			
Payments to staff and suppliers	1,261	1,658	1,350
Finance costs	0	0	0
Internal charges and overheads applied	1,606	1,245	1,651
Other operating funding applications	0	0	0
Total applications of operating funding (B)	2,867	2,903	3,001
Surplus (deficit) of operating funding (A-B)	534	518	918
Sources of capital funding			
Subsidies and grants for capital expenditure	201	0	100
Development and financial contributions	0	0	0
Increase (decrease) in debt	1,024	382	599
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	1,225	382	699
Applications of capital funding			
Capital expenditure - to meet additional demand	0	0	0
Capital expenditure - to improve the level of service	896	159	426
Capital expenditure - to replace existing assets	556	565	939
Increase (decrease) in reserves	307	176	252
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	1,759	900	1,617
Surplus (deficit) of capital funding (C-D)	(534)	(518)	(918)
Funding Balance ((A-B)+(C-D))	0	0	0

COMMUNITY DEVELOPMENT	EAP 2013/14 \$000's	LTP 2014/15 \$000's	EAP 2014/15 \$000's
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	782	770	793
Targeted rates	151	200	174
Subsidies and grants for operating purposes	0	0	0
Fees and charges	170	237	73
Internal Charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	62	0	5
Total operating funding (A)	1,165	1,207	1,045
Applications of operating funding			
Payments to staff and suppliers	760	804	641
Finance costs	0	0	0
Internal charges and overheads applied	427	383	451
Other operating funding applications	0	0	0
Total applications of operating funding (B)	1,187	1,187	1,092
Surplus (deficit) of operating funding (A-B)	(22)	20	(47)
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	0	0	0
Applications of capital funding			
Capital expenditure - to meet additional demand	0	0	0
Capital expenditure - to improve the level of service	0	0	0
Capital expenditure - to replace existing assets	0	0	0
Increase (decrease) in reserves	(22)	20	(47)
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	(22)	20	(47)
Surplus (deficit) of capital funding (C-D)	22	(20)	47
Funding Balance ((A-B)+(C-D))	0	0	0

REGULATION	EAP 2013/14 \$000's	LTP 2014/15 \$000's	EAP 2014/15 \$000's
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	308	321	439
Targeted rates	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees and charges	407	434	360
Internal Charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	2	2	3
Total operating funding (A)	717	757	802
Applications of operating funding			
Payments to staff and suppliers	262	269	104
Finance costs	0	0	0
Internal charges and overheads applied	458	482	578
Other operating funding applications	0	0	0
Total applications of operating funding (B)	720	751	682
Surplus (deficit) of operating funding (A-B)	(3)	6	120
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	0	0	0
Applications of capital funding			
Capital expenditure - to meet additional demand	0	0	0
Capital expenditure - to improve the level of service	0	0	0
Capital expenditure - to replace existing assets	0	0	0
Increase (decrease) in reserves	(3)	6	120
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	(3)	6	120
Surplus (deficit) of capital funding (C-D)	3	(6)	(120)
Funding Balance ((A-B)+(C-D))	0	0	0

SOLID WASTE MANAGEMENT	EAP 2013/14 \$000's	LTP 2014/15 \$000's	EAP 2014/15 \$000's
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	10	18	11
Targeted rates	728	1,129	696
Subsidies and grants for operating purposes	0	0	0
Fees and charges	1,111	1,181	1,090
Internal Charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	0
Total operating funding (A)	1,849	2,328	1,797
Applications of operating funding			
Payments to staff and suppliers	1,197	1,509	1,162
Finance costs	25	25	25
Internal charges and overheads applied	545	636	536
Other operating funding applications	0	0	0
Total applications of operating funding (B)	1,767	2,170	1,723
Surplus (deficit) of operating funding (A-B)	82	158	74
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	52	852	831
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	52	852	831
Applications of capital funding			
Capital expenditure - to meet additional demand	0	0	0
Capital expenditure - to improve the level of service	96	852	901
Capital expenditure - to replace existing assets	0	0	0
Increase (decrease) in reserves	38	158	4
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	134	1,010	905
Surplus (deficit) of capital funding (C-D)	(82)	(158)	(74)
Funding Balance ((A-B)+(C-D))	0	0	0

STORMWATER	EAP 2013/14 \$000's	LTP 2014/15 \$000's	EAP 2014/15 \$000's
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	382	419	389
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal Charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	0
Total operating funding (A)	382	419	389
Applications of operating funding			
Payments to staff and suppliers	112	146	120
Finance costs	0	0	0
Internal charges and overheads applied	90	104	100
Other operating funding applications	0	0	0
Total applications of operating funding (B)	202	250	220
Surplus (deficit) of operating funding (A-B)	180	169	169
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	0	0	0
Applications of capital funding			
Capital expenditure - to meet additional demand	0	0	0
Capital expenditure - to improve the level of service	0	0	0
Capital expenditure - to replace existing assets	367	136	354
Increase (decrease) in reserves	(187)	33	(185)
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	180	169	169
Surplus (deficit) of capital funding (C-D)	(180)	(169)	(169)
Funding Balance ((A-B)+(C-D))	0	0	0

RESOURCE MANAGEMENT	EAP 2013/14 \$000's	LTP 2014/15 \$000's	EAP 2014/15 \$000's
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	118	110	107
Targeted rates	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees and charges	80	86	80
Internal Charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	0
Total operating funding (A)	198	196	187
Applications of operating funding			
Payments to staff and suppliers	88	94	86
Finance costs	0	0	0
Internal charges and overheads applied	110	102	91
Other operating funding applications	0	0	0
Total applications of operating funding (B)	198	196	177
Surplus (deficit) of operating funding (A-B)	0	0	10
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	0	0	0
Applications of capital funding			
Capital expenditure - to meet additional demand	0	0	0
Capital expenditure - to improve the level of service	0	0	0
Capital expenditure - to replace existing assets	0	0	0
Increase (decrease) in reserves	0	0	10
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	0	0	10
Surplus (deficit) of capital funding (C-D)	0	0	(10)
Funding Balance ((A-B)+(C-D))	0	0	0

SEWERAGE	EAP 2013/14 \$000's	LTP 2014/15 \$000's	EAP 2014/15 \$000's
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	2,057	2,410	2,185
Subsidies and grants for operating purposes	0	0	0
Fees and charges	629	792	827
Internal Charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	0
Total operating funding (A)	2,686	3,202	3,012
Applications of operating funding			
Payments to staff and suppliers	1,368	1,552	948
Finance costs	0	0	0
Internal charges and overheads applied	850	1,138	1,429
Other operating funding applications	0	0	0
Total applications of operating funding (B)	2,218	2,690	2,377
Surplus (deficit) of operating funding (A-B)	468	512	635
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	772	942	515
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	772	942	515
Applications of capital funding			
Capital expenditure - to meet additional demand	0	0	0
Capital expenditure - to improve the level of service	572	753	231
Capital expenditure - to replace existing assets	288	200	354
Increase (decrease) in reserves	380	501	565
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	1,240	1,454	1,150
Surplus (deficit) of capital funding (C-D)	(468)	(512)	(635)
Funding Balance ((A-B)+(C-D))	0	0	0

WATER SUPPLY	EAP 2013/14 \$000's	LTP 2014/15 \$000's	EAP 2014/15 \$000's
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	1,535	1,675	1,531
Subsidies and grants for operating purposes	0	0	0
Fees and charges	529	726	706
Internal Charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	0
Total operating funding (A)	2,064	2,401	2,237
Applications of operating funding			
Payments to staff and suppliers	1,272	1,348	804
Finance costs	0	0	0
Internal charges and overheads applied	489	689	1,213
Other operating funding applications	0	0	0
Total applications of operating funding (B)	1,761	2,037	2,017
Surplus (deficit) of operating funding (A-B)	303	364	220
Sources of capital funding			
Subsidies and grants for capital expenditure	1,588	0	780
Development and financial contributions	0	0	0
Increase (decrease) in debt	2,505	1,147	905
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	4,093	1,147	1,685
Applications of capital funding			
Capital expenditure - to meet additional demand	0	0	0
Capital expenditure - to improve the level of service	3,598	756	982
Capital expenditure - to replace existing assets	499	394	706
Increase (decrease) in reserves	299	361	217
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	4,396	1,511	1,905
Surplus (deficit) of capital funding (C-D)	(303)	(364)	(220)
Funding Balance ((A-B)+(C-D))	0	0	0

ROADS AND FOOTPATHS	EAP 2013/14 \$000's	LTP 2014/15 \$000's	EAP 2014/15 \$000's
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	249	266	186
Targeted rates	5,645	6,023	5,631
Subsidies and grants for operating purposes	2,809	3,010	2,857
Fees and charges	72	74	86
Internal Charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	129	138	120
Total operating funding (A)	8,904	9,511	8,880
Applications of operating funding			
Payments to staff and suppliers	4,393	5,036	4,512
Finance costs	0	0	0
Internal charges and overheads applied	1,731	1,850	1,622
Other operating funding applications	0	0	0
Total applications of operating funding (B)	6,124	6,886	6,134
Surplus (deficit) of operating funding (A-B)	2,780	2,625	2,746
Sources of capital funding			
Subsidies and grants for capital expenditure	2,661	3,302	2,922
Development and financial contributions	0	0	0
Increase (decrease) in debt	379	519	371
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	3,040	3,821	3,293
Applications of capital funding			
Capital expenditure - to meet additional demand	0	0	0
Capital expenditure - to improve the level of service	150	280	425
Capital expenditure - to replace existing assets	4,550	5,620	4,838
Increase (decrease) in reserves	1,120	546	776
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	5,820	6,446	6,039
Surplus (deficit) of capital funding (C-D)	(2,780)	(2,625)	(2,746)
Funding Balance ((A-B)+(C-D))	0	0	0

Statement of Reserve Funds

The Council maintains reserves as a sub-part of its equity. Schedule 10(16) Local Government Act 2002 requires certain information on Reserve Funds to be included in the Council's Annual Plan. The following represents a summary of Reserve Funds over the period of the plan and provides information on:

- the purpose of the Reserve Fund
- the activity to which the fund relates
- the amount expected to be in the fund at:
 - ◊ the commencement of the year; and
 - ◊ the end of the year; and
- the amount expected to be deposited in the fund during the year; and
- the amount expected to be withdrawn from the fund during the year.

1. OPERATIONAL RESERVES

Operational Reserves are created to hold short-term funding surpluses (or deficits) arising from the various activities of Council.

This occurs when:

- Operating expenditure exceeds budget;
- Operating income is less than budget; or
- A combination of both.

A balance held in an operational reserve forms part of the Council's funding considerations for a particular activity in each subsequent year's budget.

For example, the balance in an operational reserve will determine whether more or less income is required in the subsequent year's budget to clear that balance.

Council ensures that rates collected for a particular activity from an identified group of ratepayers are used only for that activity and for the benefit of that identified ratepayer group.

2. DEPRECIATION RESERVES

The Council sets aside accumulated funds from rates in specific Depreciation Reserves to fund repayments on loans raised for capital expenditure and to maintain the service capacity and integrity of assets throughout their useful lives.

Each major activity e.g. water, roading, wastewater, stormwater, solid waste, etc. has its own Depreciation Reserve so that the funds from each can be applied to the appropriate activity.

Council ensures that funds accumulated for a particular activity from an identified group of ratepayers can only be used for that activity and for the benefit of that identified ratepayer group.

The purpose of accumulating specific Depreciation Reserves is to ensure that Council's ability to provide services to the District's communities is maintained.

3. INVESTMENT REVALUATION RESERVES

Council's investment activities include its subsidiary companies (Inframax Construction Ltd and Independent Roadmarkers Taranaki Ltd), Parkside Subdivision, 22 quarries throughout the District, Housing and Other Property and a small forestry holding at the Rangitoto Landfill site.

Council is obliged to periodically review the value of its investment in each of these activities. Investment revaluation reserves are therefore created when the value of Council's investment either increases or decreases as a result of that revaluation.

Revaluations of investments do not form part of the Revaluation Reserve shown in the Public Equity section of the Statement of Financial Position.

The balances held in an investment revaluation reserve are not utilised in any way other than to recognise movements in the value of Council's investments.

They would only be realised as a component of the surplus or deficit should Council ever resolve to dispose of a particular investment.

4. SPECIAL PURPOSE RESERVES

There are two special purpose reserves;

- District Development Special Purpose Reserve: Funds were received from the Development King Country Trust in April 2012 with the intention of setting up a Waitomo District Economic Development Board (or similar entity) to assist with a more integrated strategic focus on sustainable delivery of economic development initiatives within the District.
- Waste Minimisation Special Purpose Reserve: Funds received from the Ministry for the Environment under Section 31 of the Waste Minimisation Act 2008 can only be spent on activities that promote or achieve waste minimisation and in accordance with Council's waste management and minimisation plan. This special purpose reserve is a net accumulation of levy monies received and expenditure on waste minimisation activities that meet the aforementioned purpose and Council approval.

	Projected Reserve Balance 30 June 2014	Forecast Reserve Deposits	Forecast Reserve Withdrawals	Reserve Balance 30 June 2015
Operational Reserves (1)				
Governance				
Leadership	(381)		203	(178)
Investments	3,801	(24)	413	4,190
	3,420	(24)	616	4,012
Community Service				
Parks and Reserves	(225)		166	(59)
Housing and Other Property	340	(72)	20	288
Recreation & Culture (Library)	195		54	249
Recreation & Culture (Swimming Pool)	120		5	125
Recreation & Culture (Culture and Arts Centre)	(114)	(28)	0	(142)
Recreation & Culture (Aerodrome)	(60)	(19)	0	(79)
Public Amenities	(171)	(61)	7	(225)
Safety	(77)		9	(68)
	8	(180)	261	89
Community Development				
Community Development	(463)		52	(411)
	(463)	0	52	(411)
Regulation				
Regulation	447	(142)	51	356
	447	(142)	51	356
Solid Waste Management				
Collection	(40)		5	(35)
Management (Landfill & Transfer Stations)	(426)		2	(424)
Management (Waste Minimisation)	(73)		10	(64)
	(539)	0	16	(523)
Stormwater				
Te Kuiti Stormwater	12		1	13
Rural Stormwater	(129)		0	(129)
	(117)	0	1	(116)
Resource Management				
District Plan Administration	71	(10)	4	65
	71	(10)	4	65
Sewerage				
Te Kuiti Sewerage	(225)			(225)
Te Waitere Sewerage	(53)		6	(47)
Benneydale Sewerage	219		31	250
Piopio Sewerage	(375)			(375)
	(434)	0	37	(397)
Water Supply				
Te Kuiti Water	438		26	464
Mokau Water	429		26	455
Piopio Water	342		21	363
Benneydale Water	120		7	127
	1,329	0	80	1,409
Roads and Footpaths				
Subsidised Roads	2,465		211	2,676
Non Subsidised Roads	(467)		0	(467)
	1,998	0	148	2,209
Corporate Support				
Gratuities	(83)			(83)
Long Service Leave	(35)			(35)
Natural Disaster	(426)	(7)		(426)
	(544)	(7)	0	(544)
Total Operational Reserves	5,176	(363)	1,329	6,142

	Projected Reserve Balance 30 June 2014	Forecast Reserve Deposits	Forecast Reserve Withdrawals	Reserve Balance 30 June 2015
Depreciation Reserves (2)				
Community Service				
Parks & Reserves	21	(30)	69	60
Housing & Other Property (Housing)	(128)	(73)	70	(131)
Housing & Other Property (Community halls)	(749)	(131)	64	(816)
Housing & Other Property (Other Land & Buildings)	(331)	(119)	51	(399)
Housing & Other Property (Railway Buildings)	0	(29)	8	(21)
Recreation & Culture (Library)	(389)	(98)	39	(448)
Recreation & Culture (Swimming Pool)	76	(33)	31	74
Recreation & Culture (Culture and Arts Centre)	0	(145)	224	79
Recreation & Culture (Aerodrome)	(10)	(10)	17	(3)
Public Amenities	(131)	(61)	54	(138)
	(1,641)	(729)	627	(1,743)
Community Development				
I-site	(30)	(5)	3	(32)
	(30)	(5)	3	(32)
Regulation				
Animal Control	20	(2)	7	25
	20	(2)	7	25
Solid Waste Management				
Landfill & Transfer Stations	199	(70)	169	298
	199	(70)	169	298
Stormwater				
Te Kuiti Stormwater	(641)	(175)	380	(436)
Rural Stormwater	(10)	(7)	1	(16)
	(651)	(182)	381	(452)
Sewerage				
Te Kuiti Sewerage	(1,139)	(896)	599	(1,436)
Te Waitere Sewerage	9	(7)	6	8
Benneydale Sewerage	(95)	(35)	74	(56)
Piopio Sewerage	(37)	(34)	31	(40)
	(1,262)	(972)	710	(1,524)
Water Supply				
Te Kuiti Water	(366)	(372)	381	(357)
Mokau Water	(8)	(71)	53	(26)
Piopio Water	(142)	(91)	91	(142)
Benneydale Water	(128)	(36)	14	(150)
	(644)	(570)	539	(675)
Roads and Footpaths				
Subsidised Roads	(5,010)	(3,056)	2,910	(5,156)
Non-subsidised Roads	239	(111)	24	152
	(4,771)	(3,167)	2,934	(5,004)
Corporate support				
Corporate Support	(288)	(218)	268	(238)
Plant	(402)	(144)	415	(131)
	(690)	(362)	683	(369)
Total Depreciation Reserves	(9,470)	(6,059)	6,053	(9,476)

	Projected Reserve Balance 30 June 2014	Forecast Reserve Deposits	Forecast Reserve Withdrawals	Reserve Balance 30 June 2015
Investment Revaluation Reserves (3)				
Leadership and Investments				
Investment Properties (Forestry)	34		2	36
	34	0	2	36
Community Service				
Housing & Other Property (Other Land & Buildings)	(282)			(282)
	(282)	0	0	(282)
Total Investment Revaluation Reserves	(248)	0	2	(246)
Special Purpose Reserves (4)				
Leadership and Investments				
Economic Development Special Purpose Reserve	(16)	0		(16)
Waste Minimisation Special Purpose Reserve	(111)	(20)	71	(60)
Total Special Purpose Reserves	(127)	(20)	71	(76)
Total Reserves	(4,669)	(6,442)	7,455	(3,656)
Net Movement in All Council Created Reserves			1,013	

Reconciliation of Reserve Funding to Estimated Revenue and Expenses Statements.

Set out below is a high level reconciliation between the Statement of Reserve Funds (pages 80-83) and the net reserve movements shown in the Estimated Revenue and Expenses Statements.

The \$1,013,000 forecast net movement in reserves shown in the Statement of Reserves Funds (page 83) recognises the total movement in reserves showing in the Estimated Revenue and Expenses Statement (page 53) together with forecast Asset Disposals, Internal Loan Repayments and Funded Depreciation.

It needs to be noted that Internal Loan Repayments amounts are not shown separately in either the Statement of Reserves Funds or the Estimated Revenue and Expenses Statement.

Activity	Statement of Reserve Funds				Estimated Cost of Service Statements			
	Total Net Movement	Less Reserve Interest to Accumulated Comprehensive Revenue and Expense	Less Transfer to Corporate Support (Natural Disaster Operational Reserve)	Total Net Movement Excluding Interest	Total Movement (To)/From Reserves	Plus Reserve Funding for Loan Repayments	Less Funded Depreciation to Reserve	Total Net Movement
Leadership	593	(458)	0	135	(106)	(29)	0	(135)
Community Service	(21)	(45)	0	(66)	(477)	(186)	729	66
Community Development	51	0	0	51	(52)	(4)	5	(51)
Regulation	(85)	(28)	0	(113)	117	(6)	2	113
Solid Waste Management	165	0	0	165	(66)	(169)	70	(165)
Stormwater	200	(1)	(2)	197	(365)	(11)	179	(197)
Resource Management	(5)	(5)	0	(10)	10	0	0	10
Sewerage	(225)	(13)	(3)	(241)	(456)	(324)	1,021	241
Water Supply	48	(80)	(2)	(34)	(353)	(183)	570	34
Roads and Footpaths	(22)	(162)	0	(184)	(2,390)	(592)	3,166	184
	699	(792)	(7)	(100)	(4,138)	(1,504)	5,742	100
Corporate Support *	314							
Net Movement in Reserves	1,013							

Note: * Corporate Support forms part of the Council's internal cost allocation and as such does not have a separate Estimated Revenue and Expenses Statement. The reserve shown above is therefore not directly attributable to any Estimated Revenue and Expenses Statement disclosed in this Plan and requires separate disclosure in the Statement of Reserve Funds for reconciliation purposes only.

Accounting Policies

Statement of Responsibility

The draft Exceptions Annual Plan 2014/15 was adopted by Council on 25th March 2014 for consultation.

The purpose of the Plan is to provide a roadmap to the Council and community on the planned activities and expenditure of Council over the next year. 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 PBE FRS 42 Prospective Financial Statements.

The Council, who are authorised to do so, believe the assumptions underlying the Prospective Financial Statements are appropriate and as such, adopted the draft Exceptions Annual Plan for consultation.

No actual financial results have been incorporated within the prospective financial statements.

Significant Accounting Policies

Reporting Entity

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

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, for the purposes of financial reporting, Waitomo District Council is a public benefit entity.

The financial information contained within the Annual Plan may not be appropriate for purposes other than those described.

Basis of Preparation

The prospective financial statements are for Waitomo District Council (the Council) as a separate legal entity. Consolidated prospective financial statements comprising the Council and its controlled entities and associates have not been prepared.

Statement of Compliance

The prospective financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The prospective financial statements have been prepared to comply with Public Benefit Entity Standards (PBE Standards) for a Tier 2 entity and disclosure concessions have been applied. The criteria under which an entity is eligible to report in accordance with

Tier 2 PBE Standards are:

- Medium sizes entities (expenses between \$2m and \$30m) and that are not publicly accountable.

The reporting period for these prospective financial statements is the year ending 30 June 2015. The prospective financial statements are presented in New Zealand dollars, rounded to the nearest thousand (\$000), unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these prospective financial statements.

Measurement Basis

The measurement basis applied is historical cost, modified by the revaluation of land and buildings, certain infrastructural assets and financial instruments, investment property and forestry assets. The accrual basis of accounting has been used unless otherwise stated.

For the assets and liabilities recorded at fair value, fair value is defined as the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's-length transaction. For investment property, non-current assets classified as held for sale and items of property, plant and equipment which are revalued, the fair value is determined by reference to market value. The market value of a property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction.

Revenue

Revenue comprises rates, revenue from operating activities, investment revenue, gains, finance and other revenue and is measured at the fair value of consideration received or receivable.

Revenue may be derived from either exchange or non-exchange transactions.

Exchange transactions

Exchange transactions are transactions where the Council receives assets (primarily cash) or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the Council either receives value from or gives value to another entity without directly giving or receiving approximately equal value in exchange.

An inflow of resources from a non-exchange transaction recognised as an asset, is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Council satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Specific accounting policies for major categories of revenue are outlined below:

Rates

Rates are set annually by resolution from the Council and relate to a particular financial year. All ratepayers are invoiced within the financial year for which the rates have been set. Rates revenue is recognised when rates are levied. Rates revenue is classified as non-exchange except for metered water rates which are classed as exchange revenue.

Operating revenue

The following categories (except where noted) are generally classified as transfers of non-exchange revenue.

Grants, subsidies and reimbursements

Grants and subsidies are initially recognised at their fair value where there is reasonable assurance that the payment will be received and all attaching conditions will be complied with. Grants and subsidies received in relation to the provision of services are recognised on a percentage of completion basis. Council receives government grants from NZTA which subsidises part of the Council's cost of maintaining local roading. These grants are recognised upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

Council is proposing to apply for grant funding for the revitalisation and restoration of the Railway Buildings in Te Kuiti.

Council is proposing to apply for grant funding from Ministry of Social Development to support Youth activities.

Council is proposing to apply for grant funding for upgrade of buildings for Te Kuiti Community House.

Council is proposing to apply for grant funding for the upgrade of Te Kuiti Water Treatment Plant.

Rendering of services

Revenue from the rendering of services (eg building consent fees) is recognised by reference to the stage of completion for the transaction, based on the actual service provided as a percentage of the total services to be provided. Under this method, revenue is recognised in the accounting periods in which the services are provided. Within rendering of services most activities are at least partially funded by rates and therefore classified as non-exchange.

Fines and penalties

Revenue from fines and penalties (eg traffic and parking infringements, library overdue book fines, rates

penalties) is recognised when infringement notices are issued or when the fines/penalties are otherwise imposed.

Sale of goods

The sale of goods is classified as exchange revenue. Sale of goods is recognised when products are sold to the customer and all risks and rewards of ownership have transferred to the customer.

Investment revenues

Dividends

Dividends are classified as exchange revenue and are recognised when the Council's right to receive a payment has been established.

Investment property lease rentals

Lease rentals (net of any incentives given) are recognised on a straight line basis over the term of the lease.

Other revenue

Specific accounting policies for major categories of other revenue are outlined below:

Donated, subsidised or vested assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as non-exchange revenue when the control of the asset is transferred to the Council.

Finance revenue

Interest

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

Expenditure

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

Grants and sponsorships

Expenditure is classified as a grant or sponsorship if it results in a transfer of resources (eg cash or physical assets) to another entity in return for compliance with certain conditions relating to the operating activities of that entity. It includes any expenditure arising from a funding arrangement with another entity that has been entered into to achieve the objectives of the Council. Grants and sponsorships are distinct from donations which are discretionary or charitable gifts. Where grants and sponsorships are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled.

Interest Expense

Interest expense is recognised using the effective interest rate method. All borrowing costs are expensed in the period in which they are incurred.

Depreciation and Amortisation

Depreciation of property, plant and equipment and amortisation of intangible assets are charged on a straight-line basis over the estimated useful life of the associated assets.

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 surplus or deficit except to the extent that it relates to items recognised in other comprehensive revenue and expenses or directly to equity, in which case it is recognised in other comprehensive revenue and expenses or directly to 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 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 prospective Statement of Financial Position.

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 surplus or deficit.

Financial Assets

The Council classifies its financial assets into the following four categories: financial assets at fair value through surplus or deficit, 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.

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

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 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:

Financial Assets at Fair Value Through Surplus or deficit

This category has two sub-categories: financial assets held for trading, and those designated at fair value through surplus or deficit 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 surplus or deficit.

Derivative financial instrument assets are included in this class.

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 surplus or deficit. Loans and receivables are classified as "trade and other receivables" in the Statement of Financial Position.

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 surplus or deficit.

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.

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 surplus or deficit.

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

Available for Sale

Available for sale financial assets are those that 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 arising from changes in fair value are recognised in other comprehensive revenue and expenses and accumulated as a separate component of equity in the available-for-sale revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate and foreign exchange gains and losses on monetary assets, which are recognised directly in surplus or deficit. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is reclassified from equity to the surplus or deficit (as a reclassification adjustment).

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 surplus or deficit.

Derivative Financial Instruments

Derivative financial instruments are used to manage exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, the Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date. 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.

The associated gains or losses of derivatives that are not hedge accounted are recognised in the surplus or deficit.

The Council designates certain derivatives as either: hedges of highly probable forecast transactions (cash flow hedge) or derivatives that do not qualify for hedge accounting.

The Council documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedge transactions are highly effective in offsetting changes in fair values or cash flows of hedges items.

The full fair value of a hedge accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months, and as current of the remaining maturity of the hedges items is less than 12 months.

Cash flow hedge

The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive revenue and expenses, and the ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of finance costs.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive revenue and expenses are classified into the surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects the surplus or deficit. However, if it is expected that all or a portion of a loss recognised in other comprehensive revenue and expenses will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the surplus or deficit.

If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expenses from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expenses from the period when the hedge was effective is reclassified from equity to the surplus or deficit.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are immediately in surplus or deficit.

Payables under exchange transactions

Payables under exchange transactions 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 (GST)

All items in the Statement of Comprehensive Revenue and Expenses and Statement of Financial Position are stated exclusive of 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 where applicable.

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 Statement of Financial Position. 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.

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

A financial guarantee contract is a contract that requires Council to make specified payments to reimburse the contract holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts are disclosed as contingent liabilities.

The amount of these contingent liabilities is equal to the loan balances guaranteed.

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 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% 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

Retirement Gratuities

Entitlements that are payable beyond twelve months, such as 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 Council (as 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 Statement of Financial Position 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 as lessee

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 within surplus or deficit.

Operating leases as lessor

The Council lease investment properties and other land and buildings. Rental income is recognised on a straight-line basis over the lease term.

Property, Plant and Equipment

Property, Plant and Equipment consists of operational assets, restricted assets and infrastructural 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 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 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.

Measurement

Property, plant and equipment is recognised initially at cost, unless acquired for nil or nominal cost (eg vested assets), in which case the asset is recognised at fair value at the date of transfer. The initial cost of property, plant and equipment includes the purchase consideration (or the fair value in the case of vested assets), and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends or expands the asset's service potential is capitalised.

Borrowing costs incurred during the construction of property, plant and equipment are not capitalised.

After initial recognition, certain classes of property, plant and equipment are revalued to fair value. Where there is no active market for an asset, fair value is determined by optimised depreciated replacement cost.

Specific measurement policies for categories of property, plant and equipment are shown below:

Operational Assets

Land and Buildings

An independent valuation of the Council's land and buildings was performed by Darroch Valuations, independent registered valuers, to determine the fair market value of the land and buildings at 30 June 2012.

Land is valued on a fair value basis determined from market based evidence and conditions that prevailed as at 30 June 2012.

All buildings have been valued on either a fair value or depreciated replacement cost basis.

The Total Value for the Waitomo District Council Operational and Restricted Property Portfolio as at 30 June 2012 is reported at:

Improvements Value (30 June 2012) \$9,473,900
Land Value (30 June 2012) \$11,120,400
Total Fair Value (30 June 2012) \$20,594,300

Subsequent additions are at cost less accumulated depreciation.

Library Books

A valuation of the Council's library books was carried out as at 1 July 2004 by North Langley and Associates, independent registered valuers, to determine the 'Existing Use' value of the library books.

The value of the library books at 1 July 2004, subject to them having a good and marketable title, free from encumbrances, was determined as \$492,800 (excl GST).

Library books are no longer revalued.

Subsequent additions are at cost less accumulated depreciation.

Other operational assets

Plant and equipment, motor vehicles, furniture and fittings, computers and finance leases are measured at depreciated historical cost and not revalued.

Infrastructural Assets

Roads

An independent valuation of the Council's roading infrastructure was performed as at 30 June 2012 by AECOM NZ Ltd, independent consulting engineers who have the appropriate qualifications and experience in valuation of land transport assets, to determine the depreciated replacement cost of those assets. The valuation, was determined using the optimised depreciated replacement costs (ODRC) method.

The total value of Council's roading infrastructure at 30 June 2012 (as determined using the ODRC valuation method) is reported at \$224,659,672.

Sewerage, Water and Stormwater and Solid Waste

A valuation of the Council's water utilities (water, wastewater, stormwater) and solid waste infrastructure was performed by AECOM NZ Ltd, independent consulting engineers who have the appropriate qualifications and experience in valuing community infrastructure, as at 30 June 2012 to determine the

depreciated replacement cost of those assets. The valuation, was determined using the optimised depreciated replacement costs (ODRC) method.

The total value of Council's water utilities and solid waste infrastructure as at 30 June 2012 is reported at:

Asset Class	Optimised Depreciated Replacement Cost @ 30 June 2012
Waste Water Network	\$16,412,332
Water Supply Network	\$13,216,842
Storm Water Network	\$9,449,986
Solid Waste Assets	\$3,317,471

Infrastructure Land

An independent valuation of the Council's infrastructural land was performed by Darroch Valuations, independent registered valuers, to determine the fair market value of the land at 30 June 2012.

The Total Value for the Waitomo District Council Operational Property Portfolio (Infrastructural Land) as at 30 June 2012 is reported at:

Land Value (30 June 2012)	Total Fair Value (30 June 2012)
\$1,254,500	\$1,254,500

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. Darroch Valuations (independent Registered Valuers) valued restricted assets on 30 June 2012 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 Other Comprehensive Revenue and Expenses and accumulated as a separate equity in 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 surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

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.

Accumulated depreciation at the revaluation date is eliminated so that the carrying amount after revaluation equals the revalued amount.

While assumptions are used in all revaluations, the most significant of these are in infrastructure. For example where stormwater, wastewater and water supply pipes are underground, the physical deterioration and condition of assets are not visible and must therefore be estimated. Any revaluation risk is minimised by performing a combination of physical inspections and condition modelling assessments.

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.

Disposals

Gains and losses arising from the disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised within surplus or deficit in the period the transaction occurs. When revalued assets are disposed, the amounts included in the asset revaluation reserves in respect of those assets are transferred to accumulated comprehensive revenue and expenses.

Impairment

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is an indication of impairment. Where an asset's, or class of assets' recoverable amount is less than its carrying amount it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported within surplus or deficit, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease and recorded within other comprehensive revenue and expenses.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land and land under roads and work in progress. Depreciation is calculated on a straight line basis, to allocate the cost or value of the asset (less any assessed residual value) over its estimated life. The estimated useful lives of the major classes of property, plant and equipment are as follows:

Operational Assets

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

Buildings	5-100 years
Plant and Equipment	2-15 years
Motor Vehicles	5-15 years
Furniture and Fittings	2-5 years
Computers	2-5 years
Library books	3-7 years

Archive books	Not depreciated
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Infrastructural Assets

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

Roads

Top surface	2-20 years
Base course	25-120 years
Sub base	25-115 years
	Or not depreciated
Formation and running course	Not depreciated
Culverts – timber and other	40-100 years
Signs	15-30 years
Street Lights and poles	15-60 years
Bridges	70-120 years
Footpath surface and base	18-80 years

Water Reticulation

Pipes, hydrant, valves	30-120 years
Pump station, reservoirs	25-100 years

Sewerage Reticulation

Pipes and manholes	50-120 years
Pump station	15-100 years
Treatment plant	10-80 years

Stormwater Systems

Pipes, cesspits	40-120 years
Flood Control Systems	10-80 years

Refuse Systems

Retaining walls	70-90 years
Drainage	70-75 years
Signs	30 years
Kerb and channelling	30-75 years
Truck wash and weighbridge	28 years

The landfill aftercare asset is depreciated over the life of the landfill based on the capacity of the landfill.

The depreciation rates are applied at a component level and are dependent on the remaining useful life of each component. Variation in the range of lives is due to these assets being managed and depreciated by individual component rather than as a whole asset.

Restricted Assets

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

Buildings	5-100 years
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Capital Work in Progress

Capital work in progress is not depreciated. The cost of projects within work in progress is transferred to the relevant asset class when the project is completed and then depreciated.

Intangible Assets

Software

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

Software is recorded at cost less any subsequent amortisation or impairment losses.

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 de-recognised. The amortisation charge for each period is recognised in the surplus or deficit.

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

Computer software	2 to 5 years	20% to 50%
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Forestry Assets

An independent valuation of Council's forestry assets was performed by North Langley and Associates, independent registered valuers, to determine the fair value less estimated point of sale costs at 30 June 2013.

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 surplus or deficit.

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.

An independent valuation of the Council's Assets held for sale was performed by Darroch Valuations, independent registered valuers, to determine the fair market value of the investment properties.

The fair value less costs to sell at 30 June 2013 was \$1,063,000.

Investment in Unlisted Shares

Council has an interest (1.6%) in a Council Controlled Organisation (CCO), Local Authority Shared Services Limited. Council has no significant influences on operational or financial policies.

As this investment is not traded on an active market, and quoted market prices of similar financial assets are not available, the fair value cannot be measured reliably. The investment is therefore measured at cost.

Council has an interest (0.04%) in New Zealand National Mutual Riskpool. Council has no significant influences on operational or financial policies.

As this investment is not traded on an active market, and quoted market prices of similar financial assets are not available, the fair value cannot be measured reliably. The investment is therefore measured at cost.

Investment Property

Investment property consist of miscellaneous housing properties. Investment properties are held primarily for capital growth, rental or similar revenue. 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 exclude those properties held for strategic purposes or to provide a social service. This includes properties which generate cash inflows as the rental revenue is incidental to the purpose for holding the property. Such properties include the Council's social housing assets, which are held within operational assets in property, plant and equipment. Borrowing costs incurred during the construction or upgrade of investment property are not capitalised.

Investment property is measured initially at its cost, including transaction costs and subsequently measured at fair value, determined annually by an independent valuer. Any gains or losses is recognised within surplus or deficit. Investment property is not depreciated.

The Total Value for the Waitomo District Council Investment Property as at 30 June 2013 is reported at:

Improvements Value (30 June 2012)
\$348,000
Land Value (30 June 2012)
\$305,000
Total Fair Value (30 June 2012)
\$653,000

Cost Allocation

The Council has derived the cost of service for each significant activity. Direct costs are expensed directly to the activity. Indirect costs relate to the overall costs of running the organisation and include staff time, office space and information technology costs. These costs are allocated to Council activities using appropriate cost drivers such as resource use, staff numbers and floor area.

Related Parties

Related parties arise where one entity has the ability to affect the financial and operating policies of another through the presence of control or significant influence. Related parties include key management personnel. Key management personnel include the Mayor and Councillors as directors, the Chief Executive and all members of the Executive Leadership Team as key advisors.

The Mayor and Councillors are considered directors as they occupy the position of a member of the governing body of the Council reporting entity. Directors' remuneration comprises any money, consideration or benefit received or receivable or otherwise made available, directly or indirectly, to a director during the reporting period. Directors' remuneration does not include reimbursement of authorised work expenses or the provision of work-related equipment such as cellphones and laptops.

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 or where there is an indication that the asset is impaired. Assets that have a finite useful life are 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 surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

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 surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

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

Net assets/ equity

Net assets or equity is the community's interest in the Council, and is measured as the difference between total assets and total liabilities. Net assets or equity is dis-aggregated and classified into a number of components to enable clearer identification of the specified uses of equity within Council.

The components net assets or equity are:

- Accumulated comprehensive revenue and expense,
- other reserves and
- asset revaluation reserves

Accumulated comprehensive revenue and expenses does not represent cash available to offset future rate increases, but rather represent the community's investment in publicly owned assets resulting from past surpluses.

Other Reserves

Restricted reserves are a component of net assets or equity generally representing a particular use to which various parts of net assets or 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.

Council created reserves are a combination of depreciation reserves and transfers of Surplus or Deficit from operations. The purpose of the reserves is to maintain balances of funded depreciation for future renewal of assets and to hold revenue streams in separate balances as required by Council.

Available for sale reserves consists of valuation gains associated with Council's investments.

Hedging reserves comprise the effective portion of the cumulative net change in the fair value of derivatives designated as cash flow hedges.

Property revaluation reserves relates to the revaluation of property, plant and equipment to fair value.

Prospective 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 revenue sources of the Council and record the cash payments made for the supply of goods and services. 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.

Judgements and Estimation

The preparation of prospective financial statements using PBE standards requires the use of judgements, estimates and assumptions. Where material, information on the main assumptions is provided in the relevant accounting policy. The estimates and assumptions are based on historical experience as well as other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis and adjustments are made where necessary.

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 20 of Council's 2012/13 Annual Report discloses an analysis of the exposure of the Council in relation to the estimates and uncertainties surrounding the landfill aftercare provision.

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 the 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 depreciation charge recognised as an expense in the surplus or deficit. 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 surplus or deficit, and carrying amount of the asset in the Statement of Financial Position. 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.

Deferred Tax Asset

Recognition

Determining whether or not to recognise a deferred tax asset requires estimation of future cash flows. Any significant deviation from the assumptions used in forecasting future cash flows may effect the carrying value of the asset.

Recoverability

It is unlikely the Council will be able to benefit from its deferred tax assets resulting from its accumulated tax losses. As such most of the Council's deferred tax balances, have been written off to surplus or deficit. In addition to that, Council is unlikely to receive taxable revenue from which to offset its accumulated tax losses and continues to not recognise a deferred tax asset.

Comparatives

To ensure consistency with the current year, certain comparative information has been reclassified where appropriate. This has occurred:

- where classifications have changed between periods;
- where the Council has made additional disclosure in the current year, and where a greater degree of disaggregation of prior year amounts and balances is therefore required; and
- where there has been a change of accounting policy.

Public Benefit Entity Financial Reporting Standard 42 Prospective Financial Statements (PBE FRS 42)

The Council has complied with PBE FRS 42 in the preparation of these prospective financial statements. In accordance with PBE FRS 42, the following information is provided:

(i) Description of the nature of the entity's current operation and its principal activities

The Council is a territorial local authority, as defined in the Local Government Act 2002. The Council's principal activities are outlined within this Annual Plan.

(ii) Purpose for which the prospective financial statements are prepared

It is a requirement of the Local Government Act 2002 to present prospective financial statements that span 1 year and include them within the Annual Plan. This provides an opportunity for ratepayers and residents to review the projected financial results and position of the Council. Prospective financial statements are revised annually to reflect updated assumptions and costs.

(iii) Bases for assumptions, risks and uncertainties

The financial information has been prepared on the basis of best estimate assumptions as the future events which the Council expects to take place. The Council has considered factors that may lead to a material difference between information in the prospective financial statements and actual results. These factors, and the assumptions made in relation to the sources of uncertainty and potential effect, are outlined within this Annual Plan.

(iv) Cautionary Note

The financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material.

(v) Other Disclosures

The prospective financial statements were authorised for issue on 25 March 2014 Waitomo District Council. The Council is responsible for the prospective financial statements presented, including the assumptions underlying prospective financial statements and all other disclosures. The Annual Plan is prospective and as such contains no actual operating results.