

Section 5: Financial Statements



Reconciliation of Cost of Service Statements with Statement of Financial Performance for the Year Ended 30 June 2009

	2006/16 LTCCP Forecast 08/09 \$000's	Annual Plan Forecast 08/09 \$000's
REVENUE		
General Revenue (Net of Internal Revenue)	14,658	14,390
Revenue From Significant Activities		
Road Network and Road Safety	2,822	2,914
Community Facilities Property and Leisure	244	140
Community Support	308	333
Leisure Services	343	333
Economic Development	10	9
Water Supply	1,410	1,368
Stormwater	559	491
Wastewater	2,213	2,151
Solid Waste	1,489	1,571
Inspections	555	792
Resource Management and Planning	65	101
Emergency Management	32	29
Governance	28	21
Total Service Statement Revenue	10,078	10,253
TOTAL REVENUE	24,736	24,643
EXPENDITURE		
Expenditure From Significant Activities		
Road Network and Road Safety	5,544	5,513
Community Facilities Property and Leisure	1,091	1,054
Community Support	924	1,088
Leisure Services	3,620	3,981
Economic Development	896	2,232
Water Supply	1,530	1,656
Stormwater	559	559
Wastewater	2,483	2,828
Solid Waste	2,366	2,352
Inspections	1,705	1,859
Resource Management and Planning	718	1,035
Emergency Management	301	343
Governance	1,811	1,400
Total Service Statement Expenditure	23,548	25,900
Less Elimination of Internal Expenditure	(614)	(691)
TOTAL EXPENDITURE	22,934	25
NET OPERATING SURPLUS	1,802	-566

Statement of Financial Performance for the year ended 30 June 2009

	2006/16 LTCCP Forecast 08/09 \$000's	Annual Plan Forecast 08/09 \$000's
GENERAL REVENUE		
General Rates	8,736	8,078
Uniform General Charges and Additional Dwelling Rate	4,213	4,394
Rates Penalties	210	210
South Waikato Investment Fund Income	1,458	1,553
Special Reserves and Working Capital Income	465	656
Subsidies and Grants	190	190
Other Operating Revenue	0	0
less elimination of Interest on Internal Loans	(214)	(224)
less elimination of Rates on Council Property	(400)	(467)
TOTAL GENERAL REVENUE	14,658	14,390
REVENUE FROM SIGNIFICANT AND OTHER ACTIVITIES		
Rates and Charges	4,828	4,537
Fees and Charges	2,363	2,775
Subsidies and Grants	2,887	2,941
TOTAL REVENUE FROM SIGNIFICANT AND OTHER ACTIVITIES	10,078	10,253
TOTAL REVENUE	24,736	24,643
EXPENDITURE		
Interest expense	594	686
Depreciation	4,927	5,499
Operating Expenditure on Significant and Other Activities	18,028	19,715
less elimination of Interest on Internal Loans	(214)	(224)
less elimination of Rates on Council Property	(400)	(467)
TOTAL EXPENDITURE	22,934	25,157
NET SURPLUS/ (DEFICIT)	1,802	(566)

Statement of Movements in Equity for the year ended 30 June 2009

	2006/16 LTCCP Forecast 08/09 \$000's	Annual Plan Forecast 08/09 \$000's
Net Surplus/(Deficit) for the year	1,802	(566)
Other recognised revenues and expenses		
Increase in revaluation reserves	22,684	22,684
Total recognised revenues and expenses for the period	24,486	22,118
Movements in Equity for the Year	24,486	22,118
EQUITY - at the start of the year	224,745	253,607
EQUITY - at the end of the year	249,231	275,725

Statement of Financial Position as at 30 June 2009

	2006/16 LTCCP Forecast 08/09 \$000's	Annual Plan Forecast 08/09 \$000's
ASSETS		
Current Assets		
Cash and Bank	8,047	8,001
Current Portion of South Waikato Investment Fund (1)	30	5,527
Current Portion of Term Investments	0	8
Rates Receivable	911	893
Other Debts Receivable	421	669
Prepayments and Accrued Income	539	577
Inventories	108	114
Total Current Assets	10,056	15,789
Non Current Assets		
Investment Properties and Property for Sale	141	0
Investments - General	1,860	223
South Waikato Investment Fund (1)	19,088	15,177
Total Investments	21,089	15,400
Property, Plant, Equipment - Restricted	20,889	43,946
Property, Plant, Equipment - Infrastructural	194,667	195,814
Property, Plant, Equipment - General	13,922	17,201
Total Property, Plant, Equipment	229,478	256,961
Total Non Current Assets	250,567	273,261
TOTAL ASSETS	260,623	288,150
LIABILITIES		
Current Liabilities		
Sundry Creditors	1,915	1,660
Employee Entitlements - current	440	522
Current Portion of Term Liabilities	608	772
Trust Accounts	43	46
Income in Advance and Accrued Expenses	1,081	1,048
Total Current Liabilities	4,087	4,048
Non Current Liabilities		
Term Liabilities	6,376	5,905
Employee Entitlements and Landfill Closure	929	2,472
Total Non Current Liabilities	7,305	8,377
TOTAL LIABILITIES	11,392	12,425
NET ASSETS	249,231	275,725
PUBLIC EQUITY		
Accumulated Balances	162,626	163,085
Restricted Reserves	7,006	10,251
Asset Revaluation Reserve	79,599	102,389
TOTAL PUBLIC EQUITY	249,231	275,725

(1) As at 30 June 2009, the forecast value of the South Waikato Investment Fund is \$20,704,000.

Statement of Cash Flows for the year ended 30 June 2009

	2006/16 LTCCP Forecast 08/09 \$000's	Annual Plan Forecast 08/09 \$000's
OPERATING ACTIVITIES		
Rates	17,988	17,220
Subsidies and Grants	3,077	3,133
Investment Income Received	1,860	1,955
Fees, Charges and Other Revenue	2,363	2,807
Total cash provided from operating	<u>25,288</u>	<u>25,115</u>
Interest Paid	594	686
Cash Disbursed to Suppliers and Employees	18,596	20,385
Total cash applied	<u>19,190</u>	<u>21,071</u>
NET CASH FROM OPERATING ACTIVITIES	6,098	4,044
INVESTING ACTIVITIES		
Proceeds from Investments	1,002	3,268
Loans Repaid to Council	0	0
Total cash provided from investing	<u>1,002</u>	<u>3,268</u>
Investments Purchased/Appropriations	1,495	(1,261)
Fixed Assets Acquired	6,499	10,007
Total cash applied	<u>7,994</u>	<u>8,746</u>
NET CASH USED IN INVESTING ACTIVITIES	(6,992)	(5,478)
FINANCING ACTIVITIES		
Loans raised	1,502	2,073
Loans Repaid	<u>608</u>	<u>639</u>
NET CASH FROM FINANCING ACTIVITIES	894	1,434
NET INCREASE/(DECREASE) IN CASH EQUIVALENTS	0	0
Cash and cash equivalents at 1 July	8,047	8,001
CASH AND CASH EQUIVALENTS	<u>8,047</u>	<u>8,001</u>

Rates and Charges - 2008 / 2009

(All figures are GST inclusive)

	Annual Plan 2007 / 08 Actual \$	Annual Plan 2008 / 09 Forecast \$
General Rate (Note 1)	0.2171	0.2232
General Rate * Network Utility Organisations (Note 1)	0.2171	0.2232
Additional Dwelling Rate	435.00	484.00
Uniform Annual General Charge	435.00	484.00
Tirau Ward Community Board Rate	35.00	30.00
Tokoroa Promotion Rate	7.00	7.00
Putaruru Promotion Rate	13.00	16.00
Putaruru CBD Rate (Note 1)	0.0783	0.0819
Tokoroa CBD Rate	401.00	-
Arapuni Hall Rate	55.00	52.00
Lichfield Hall Rate	31.00	27.00
Okoroire Hall Rate	73.00	65.00
Piarere Hall Rate	26.00	25.00
Puketurua Hall Rate	50.00	49.00
Tapapa Hall Rate	39.00	33.00
Tirau Hall Rate	24.00	24.00
Upper Atiamuri Hall Rate	36.00	41.00
Wautu Hall Rate	36.00	37.00
Athol Water Supply Rate	201.00	210.00
Urban Water Supply Rate	150.00	152.00
Urban Sewerage Disposal Rate	243.00	242.00
Non-residential Urban Sewerage Disposal Rate 80% (Note 2)	194.40	193.60
Urban Stormwater Rate (Note 1)	0.0503	0.0495
Waste Collection Rate	80.00	85.00
Wautu Recycling Rate	16.00	18.00
Upper Atiamuri Recycling Rate	55.00	58.00

Note 1: Dollar per \$100.00 of Rateable value

Note 2: Non-residential Urban Sewerage Charge 80% of full rate after receiving five full rate charges.

Funding Impact Statement

That the South Waikato District Council set the following rates under the Local Government Rating Act 2002, on rating units in the District for the financial year commencing 1 July 2008 and ending on 30 June 2009. All rates are quoted GST inclusive.

1.0 General Rate

Pursuant to Section 13 of the Local Government (Rating) Act 2002, a General Rate of \$0.002232 cents in the dollar (GST Inclusive) on the rateable capital value of land of every separate rating unit in the District. The rate is expected to produce \$8,078,336 (GST exclusive).

2.0 Uniform Annual General Charge

Pursuant to Section 15 of the Local Government (Rating) Act 2002, a Uniform Annual General Charge of \$484.00 (GST Inclusive) on every separate rating unit in the District. The rate is expected to produce \$3,932,190 (GST exclusive)

3.0 Additional Dwellings

Pursuant to Section 16 of the Local Government (Rating) Act 2002 a targeted rate on a uniform basis of \$484.00 (GST Inclusive) on each separately used or inhabited part of a rating unit beyond the first habitation used for purposes other than commercial or industrial purposes. The rate is expected to produce \$462,129 (GST exclusive).

4.0 Water Supply Charge

Pursuant to Section 16 and Section 19 of the Local Government (Rating) Act 2002, a separate rate on a uniform basis for the ordinary supply of water to each separately used or inhabited portion of a rating unit or building as shown below. This rate is expected to produce the amount shown for the maintenance and improvements to the water supply within the serviced area defined on the plan stated.

4.1 Serviced/Serviceable Properties

	Serviced Area	Serviced Properties \$GST Incl	Serviceable Properties (50%) \$GST Incl	Rate Expected to Produce \$GST Excl	SWDC Plan
4.1.1	Arapuni Lichfield Putaruru Tirau Tokoroa	152.00	76.00	1,139,123	2587 2559 2591 2593 2595
4.1.5	Athol	210.00	105.00	7,269	2594

Water used in excess of 320m³ per annum shall be charged at \$0.80/m³ for Tirau, Putaruru, Arapuni and Tokoroa and \$1.05/m³ for Athol.

5.0 Sewage Disposal Charge

Subject to Clause 6.2 and pursuant to Section 16 of the Local Government (Rating) Act 2002, a targeted rate on a uniform basis on each water closet or urinal connected either directly or through a private drain, to a public sewerage drain as shown below. This rate is expected to produce the amount shown for the maintenance and improvements to the sewerage systems within the serviced area as defined on the plan stated.

5.1 Serviced/Serviceable Properties

Serviced Area	Serviced Properties \$GST Incl	Commercial/Industrial Additional Connections (80%) \$GST Incl	Serviceable Properties (50%) \$GST Incl	Rate Expected to Produce \$GST Excl	SWDC Plan
Arapuni Putaruru Tirau Tokoroa	242.00	193.60	121.00	2,133,985	2586 2588 2589 2592

6.0 Stormwater Rate

Pursuant to Section 16 of the Local Government (Rating) Act 2002, a targeted rate on the capital value of land for stormwater disposal on every separate rating unit in the areas declared urban drainage districts, as shown below. This rate is expected to produce the amount shown for the maintenance and development to the stormwater disposal systems within the serviced area as defined on the plan stated.

Serviced Area	Cents in \$ of Rateable Capital Value (GST Incl)	Rate Expected to Produce \$GST Excl	SWDC Plan
Arapuni Putaruru Tirau Tokoroa	\$0.000495	488,029	318 319 320 321

7.0 Waste Collection Charge

Pursuant to Section 16 of the Local Government (Rating) Act 2002, a targeted rate on a uniform basis for waste collection of \$85.00 upon each separately used or inhabited portion of a rating unit or building provided with a waste collection service. The rate is expected to produce \$597,102.

8.0 Tokoroa CBD Charge

Pursuant to Section 16 of the Local Government (Rating) Act 2002, a targeted rate on a uniform basis of \$0.00 on every separate rating unit within the Tokoroa Business Area as defined on SWDC Plan 123A. The rate is expected to produce \$0 (GST exclusive) for the promotion of the Tokoroa Business Area.

9.0 Putaruru CBD Charge

Pursuant to Section 16 of the Local Government (Rating) Act 2002, a targeted rate of \$0.000819 cents in the dollar of the capital value of land on every separate rating unit in the Putaruru Business Area as defined on SWDC Plan 456A. The rate is expected to produce \$28,875 (GST exclusive) for the promotion of the Putaruru Business Area.

10.0 Tirau Ward Community Board Charge

Pursuant to Section 16 of the Local Government (Rating) Act 2002, a targeted rate on a uniform basis of \$30.00 (GST inclusive) on every separate rating unit within the Tirau Ward as defined on SWDC Plan 2014. The rate is expected to produce \$21,332 (GST exclusive).

11.0 Putaruru Promotion Charge

Pursuant to Section 16 of the Local Government (Rating) Act 2002, a targeted rate on a uniform basis of \$16.00 (GST inclusive) on every separate rating unit within the Putaruru Ward as defined on SWDC Plan 2014. The rate is expected to produce \$35,875 (GST exclusive).

Funding Impact Statement (cont.)

12.0 Tokoroa Promotion Charge

Pursuant to Section 16 of the Local Government (Rating) Act 2002, a targeted rate on a uniform basis of \$7.00 (GST inclusive) on every separately rating unit within the Tokoroa Ward as defined on SWDC Plan 2014. The rate is expected to produce \$35,000 (GST exclusive).

13.0 Hall Charges

Pursuant to Section 16 of the Local Government (Rating) Act 2002, a targeted rate on a uniform basis on every separate rating unit within the Hall area as defined on the SWDC plan stated.

	Hall Rating Area	Uniform Annual Charge \$GST Incl	Rate Expected to Produce \$GST Excl	SWDC Plan
13.1	Arapuni	52.00	7,020	2584
13.2	Lichfield	27.00	4,794	2584
13.3	Okoroire	65.00	5,941	2584
13.4	Piarere	25.00	950	2584
13.5	The Plaza	0.00	0	2584
13.6	Puketurua	49.00	4,730	2584
13.7	Tapapa	33.00	3,257	2584
13.8	Tirau	24.00	12,308	2584
13.9	Upper Atiamuri	41.00	1,091	2584
13.10	Waotu	37.00	4,044	2584

1. The Plaza is funded through the Uniform Annual General Charge.

14.0 Waotu Recycling Charge

Pursuant to Section 16 of the Local Government (Rating) Act 2002, a targeted rate on a uniform basis for recycling of \$18.00 upon each separately used or inhabited portion of a rating unit or building (household) provided with a recycling service within the Waotu Hall area as defined on the SWDC plan 2584. The rate is expected to produce \$2,944 (GST Inclusive).

15.0 Upper Atiamuri Recycling Charge

Pursuant to Section 16 of the Local Government (Rating) Act 2002, a targeted rate on a uniform basis for recycling of \$58.00 upon each separately used or inhabited portion of a rating unit or building (Household) provided with a waste collection service within the Upper Atiamuri Hall area as defined on the SWDC plan 2584. The rate is expected to produce \$2,200 (GST Inclusive).

16.0 Due Dates For Payment Of Rates

Instalment No	Period	Invoice Date	Due Date
1	Jul - Sep 2008	1 August 2008	7 September 2008
2	Oct - Dec 2008	1 November 2008	7 December 2008
3	Jan - Mar 2009	1 February 2009	7 March 2009
4	Apr - Jun 2009	1 May 2009	7 June 2009

17.0 Early Payment Of Rates In Current Financial Year

Pursuant to Section 55 of the Local Government (Rating) Act 2002 a prompt payment discount of 2.5% will be paid if the total annual rates (including GST) are paid in full on or before 7 September 2008.

18.0 Additional Charges

Pursuant to Section 57 and 58 of the Local Government (Rating) Act 2002:

18.1 An additional charge of 10% to be added to all rates levied in respect of the 2008/2009 financial year and which, although due, remain unpaid on the following dates:

Instalment No 1	7 September 2008
Instalment No 2	7 December 2008
Instalment No 3	7 March 2009
Instalment No 4	7 June 2009

18.2 A further additional charge of 8% to be added to all rates levied in any financial year prior to the 2008/2009 financial year and which remain unpaid on 7 December 2008.

18.3 A further additional charge of 8% to be added to all rates levied in any financial year prior to the 2008/2009 financial year and which remain unpaid on 7 June 2009.

19.0 Payment Of Rates

That Rates shall be payable at any of the following places:

- Tokoroa Office, Torphin Crescent, Tokoroa, between the hours of 8.00am and 5.00pm, Monday to Friday;
- Putaruru Office, Overdale Street, Putaruru between the hours of 8.00am and 4.30pm, Monday to Friday
- Tirau Agency, Tirau Information Centre, Main Road, Tirau between the hours of 9.00am and 5.00pm, Monday to Friday

Funding Impact Statement (cont.)

For the Year Commencing 1 July
WHERE MONEY COMES FROM:

RATES REVENUE

General Rates	8,736	8,078
Uniform Annual General Charge	3,786	3,947
Additional Dwelling Rate	427	447

Targeted Rates

Stormwater	525	489
Sewerage	2,207	2,132
Water Supply	1,222	1,145
Refuse Collection	614	597
Public and Community Halls	82	44
Tirau Community Board	29	21
Business Promotion Tokoroa Ward	92	35
Business Promotion Putaruru Ward	58	65
Recycling	-	5

Penalty Rates Revenue	210	210
Less Elimination of Internal Council Rates	(400)	(467)

OTHER REVENUE

Fees and Charges	2,363	2,776
Investment Income	1,709	1,986
Subsidies Received	3,077	3,133

TOTAL OPERATING INCOME

24,736	24,643
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HOW MONEY IS SPENT

Less OPERATING EXPENDITURE

Operational Expenditure (net of Rates on Council Property)	17,628	19,248
Interest Expense (net of Interest on Internal Loans)	379	462
Depreciation	4,927	5,499

Total Operational Expenditure

22,934	25,209
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Operational Surplus

1,802	(566)
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Plus Other Funding

Loans	1,502	2,073
Capital Projects	(6,499)	(10,007)
Special and General Reserves	3,803	9,139
Debt Repayments	(608)	(639)

Net Funding

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Funding Impact Statement (cont.)

Source of Revenue

All rates and other sources of income quoted are GST exclusive

Source	Category		2006/16 LTCCP Forecast 08/09 \$000's	Annual Plan Forecast 08/09 \$000's
General Rate	District 0.00198	per \$ capital value	8,736	8,078
Uniform Annual General Charge	Rating Unit \$430.38	per portion of a rating unit	3,786	3,947
Additional Dwelling Charge	Additional dwelling per Rating Unit \$430.38	per portion of a rating unit	427	447
Targeted Rates				
Stormwater	Connected	per \$ capital value	525	489
Sewerage	Connected	per portion of a rating unit	2,193	2,121
	Serviceable	per portion of a rating unit	14	13
Urban Water Supply	Connected	per portion of a rating unit	1,207	1,131
	Serviceable	per portion of a rating unit	8	8
Athol Water Supply	Serviced	per portion of a rating unit	7	7
Refuse Collection	Serviced	per portion of a rating unit	614	597
The Plaza	Hall Area	per portion of a rating unit	33	-
Community Hall Arapuni	Hall Area	per rating unit	7	7
Community Hall Lichfield	Hall Area	per rating unit	6	5
Community Hall Okoroire	Hall Area	per rating unit	7	6
Community Hall Piarere	Hall Area	per rating unit	1	1
Community Hall Puketurua	Hall Area	per rating unit	5	5
Community Hall Tirau	Hall Area	per rating unit	13	12
Community Hall Tapapa	Hall Area	per rating unit	5	3
Community Hall Waotu	Hall Area	per rating unit	4	4
Community Hall Upper Atiamuri	Hall Area	per rating unit	1	1
Tirau Community Board	Tirau Ward	per rating unit	29	21
Business Promotion Tokoroa Ward	Tokoroa Ward	per rating unit	37	35
Business Promotion Tokoroa CBD	Tokoroa CBD	per rating unit	55	-
Business Promotion Putaruru Ward	Putaruru Ward	per rating unit	29	36
Business Promotion Putaruru CBD	Putaruru CBD	per rating unit	29	29
Waotu Recycling Rate	Hall Area	per rating unit	-	3
Upper Atiamuri Recycling Rate	Hall Area	per rating unit	-	2
Rates before penalties			17,777	17,008
Rate Penalties			210	210
Less Elimination of Internal Council Rates			(400)	(467)
Total Rates			17,587	16,751
Fees and Charges (excludes water supply fees)			2,183	2,557
Water Supply Fees			180	219
Income from Investments			1,709	1,986
Subsidies			3,077	3,133
Loans			1,502	2,073
Other Income			-	-
Total Funding			26,238	26,719

Examples of Rates for 2008/09 - Urban Areas

All urban areas	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
RATING VALUATIONS	120,000	120,000	200,000	200,000	300,000	300,000
General Rates						
Uniform Annual General Charge	541.00	599.00	541.00	599.00	541.00	599.00
Less Investment Income	(106.00)	(115.00)	(106.00)	(115.00)	(106.00)	(115.00)
General Rate	260.53	267.86	434.22	446.44	651.34	669.66
Less Investment Income	-	-	-	-	-	-
Total This Year	695.53	751.86	869.22	930.44	1,086.34	1,153.66
Total Previous Year		702.53		869.22		1,086.34
		8.10%		7.04%		6.20%
Utility & Urban Services						
Stormwater Rate	60.31	59.35	100.52	98.91	150.78	148.37
Sewage Disposal Rate	243.00	242.00	243.00	242.00	243.00	242.00
Urban Water Supply Rate	150.00	152.00	150.00	152.00	150.00	152.00
Waste Collection Rate	80.00	85.00	80.00	85.00	80.00	85.00
Total This Year	533.31	539.35	573.52	578.91	623.78	628.37
Total Previous Year	533.51	533.31	575.54	573.52	624.00	623.78
Change (\$)	0.20	6.04	-1.48	5.39	-0.22	4.59
Change (%)	-0.04%	1.13%	-0.26%	0.94%	-0.03%	0.74%
Total General Rates and Utility Services	1,228.84	1,291.21	1,442.74	1,509.35	1,710.12	1,782.03
Total Previous Year		1,228.84		1,442.74		1,710.12
Change (\$)		63.37		66.61		71.91
Change (%)		5.08%		4.62%		4.20%

Targeted Rates						
Urban Area - Tokoroa						
Tokoroa Promotion Rate	7.00	7.00	7.00	7.00	7.00	7.00
Total Urban Area Rates This Year	7.00	7.00	7.00	7.00	7.00	7.00
Total Rates This Year	1,235.84	1,298.21	1,449.74	1,516.35	1,717.12	1,789.03
Total Rates Previous Year		1,235.84		1,449.74		1,717.12
Change (\$)		62.37		66.61		71.91
Change (%)		5.05%		4.59%		4.19%
Urban Area - Putaruru						
The Plaza Rate	-	-	-	-	-	-
Putaruru Promotion Rate	13.00	16.00	13.00	16.00	13.00	16.00
Total Urban Area Rates This Year	13.00	16.00	13.00	16.00	13.00	16.00
Total Rates This Year	1,241.84	1,307.21	1,455.74	1,525.35	1,723.12	1,798.03
Total Rates Previous Year		1,241.84		1,455.74		1,723.12
Change (\$)		65.37		69.61		74.91
Change (%)		5.26%		4.78%		4.35%
Urban Area - Tirau						
Tirau Community Board Rate	35.00	30.00	35.00	30.00	35.00	30.00
Tirau Hall Rate	24.00	24.00	24.00	24.00	24.00	24.00
Total Urban Area Rates This Year	59.00	54.00	59.00	54.00	59.00	54.00
Total Rates This Year	1,287.84	1,345.21	1,501.74	1,563.35	1,769.12	1,836.03
Total Rates Previous Year		1,287.84		1,501.74		1,769.12
Change (\$)		57.37		61.61		66.91
Change (%)		4.45%		4.10%		3.78%
Urban Area - Arapuni						
Putaruru Promotion Rate	13.00	16.00	13.00	16.00	13.00	16.00
Arapuni Hall Rate	55.00	52.00	55.00	52.00	55.00	52.00
Total Urban Area Rates This Year	68.00	68.00	68.00	68.00	68.00	68.00
Total Rates This Year	1,296.84	1,359.21	1,510.74	1,577.35	1,778.12	1,850.03
Total Rates Previous Year		1,296.84		1,510.74		1,778.12
Change (\$)		62.37		66.61		71.91
Change (%)		4.81%		4.41%		4.04%

Examples of Rates for 2008/09 - Rural Areas

All Rural Areas	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
RATING VALUATIONS	875,000	875,000	1,750,000	1,750,000	3,500,000	3,500,000
General Rates						
Uniform Annual General Charge	541.00	599.00	541.00	599.00	541.00	599.00
Less Investment Income	(106.00)	(115.00)	(106.00)	(115.00)	(106.00)	(115.00)
General Rate	1,899.73	1,953.18	3,799.46	3,906.36	7,598.93	7,812.71
Less Investment Income	-	-	-	-	-	-
Total This Year	2,334.73	2,437.18	4,234.46	4,390.36	8,033.93	8,296.71
Total Previous Year		2,334.73		4,234.46		8,033.93
		102.45		155.89		262.79
		4.39%		3.68%		3.27%

Targeted Rates						
Tokoroa						
Tokoroa Promotion Rate	7.00	7.00	7.00	7.00	7.00	7.00
Upper Atiamuri Hall Rate	36.00	41.00	36.00	41.00	36.00	41.00
Upper Atiamuri Recycling Rate	55.00	58.00	55.00	58.00	55.00	58.00
Total Targeted Rates - Rural Tokoroa	98.00	106.00	98.00	106.00	98.00	106.00
Total Rates This Year	2,432.73	2,543.18	4,332.46	4,496.36	8,131.93	8,402.71
Total Rates Previous Year		2,432.73		4,332.46		8,131.93
Change (\$)		110.45		163.89		270.79
Change (%)		4.54%		3.78%		3.33%
Putaruru						
Puketurua Hall Rate	50.00	49.00	50.00	49.00	50.00	49.00
Putaruru Promotion Rate	13.00	16.00	13.00	16.00	13.00	16.00
Total Targeted Rates - Rural Putaruru	63.00	65.00	63.00	65.00	63.00	65.00
Total Rates This Year	2,397.73	2,502.18	4,297.46	4,455.36	8,096.93	8,361.71
Total Rates Previous Year		2,397.73		4,297.46		8,096.93
Change (\$)		104.45		157.89		264.79
Change (%)		4.36%		3.67%		3.27%
Tirau						
Tirau Community Board Rate	35.00	30.00	35.00	30.00	35.00	30.00
Tirau Hall Rate	24.00	24.00	24.00	24.00	24.00	24.00
Total Targeted Rates - Rural Tirau	59.00	54.00	59.00	54.00	59.00	54.00
Total Rates This Year	2,393.73	2,491.18	4,293.46	4,444.36	8,092.93	8,350.71
Total Rates Previous Year		2,393.73		4,293.46		8,092.93
Change (\$)		97.45		150.89		257.79
Change (%)		4.07%		3.51%		3.19%
Arapuni						
Putaruru Promotion Rate	13.00	16.00	13.00	16.00	13.00	16.00
Arapuni Hall Rate	55.00	52.00	55.00	52.00	55.00	52.00
Total Targeted Rates - Rural Arapuni	68.00	68.00	68.00	68.00	68.00	68.00
Total Rates This Year	2,402.73	2,505.18	4,302.46	4,458.36	8,101.93	8,364.71
Total Rates Previous Year		2,402.73		4,302.46		8,101.93
Change (\$)		102.45		155.89		262.79
Change (%)		4.26%		3.62%		3.24%
Waotu						
Waotu Hall Rate	36.00	37.00	36.00	37.00	36.00	37.00
Waotu Recycling Rate	16.00	18.00	16.00	18.00	16.00	18.00

Financial Overview and Forecasting Assumptions

Introduction

The preparation of this Annual Plan reflects the outcome of a detailed review of work that is required of council for its contribution to the community outcomes. A number of assumptions and predictions about the future have been made.

The assumptions underlying the preparation of these forecasts incorporate known financial results to 30 June 2007 and estimates for the year to 30 June 2008. Events occurring subsequent to this date may have significant effects on these forecasts.

Statement of Prospective Financial Information

The prospective financial information comprises forecasts and are recorded in New Zealand dollars. Forecasts are prepared on assumptions as to future events that can reasonably be expected to occur. Detailed budgets have been prepared for 2008/09. It is possible that new issues may arise or circumstances change that make it necessary to amend the forecasts.

The forecasts for the last seven years (2009/10 - 2015/16) are less detailed than the 2008/09 and will need to be revised when the next Long Term Plan is prepared in 2009.

The actual results are likely to vary from the information disclosed and such variation may be significant. The prospective financial information is prepared under the Local Government Act 2002 and may not be suitable for use in any other capacity.

Forecasting and the Local Government Act 2002

Consideration has been given to the requirements of Section 101 of the Local Government Act 2002 and includes:

- Council managing its financial matters prudently and in a manner that promotes the current and future interest of the community.
- Making adequate and effective provision to meet the expenditure needs of Council.
- Funding needs are met from sources determined appropriate by Council.

In order to provide predictability and a level of certainty about sources and levels of funding, Council has the following funding and financial Policies:

- Revenue and Financing Policy.
- Liability Management Policy.
- Investment Policy.
- Remissions and Postponement of Rates on Maori Freehold Land Policy.
- Rates Remission Policy.
- Rates Postponement Policy.
- Partnerships between Council and the Private Sector Policy.
- Development and Financial Contributions Policy.

In addition, the Plan includes a Funding Impact Statement that provides information about the revenue and financing mechanisms to be used by Council.

Effective Date

The assumptions are effective from the date that Council approves the Plan for consultation.

Significant Forecasting Assumptions

Forecasting Assumptions	Risk	Frequency/Financial Effect	Reasons for Uncertainty
Projected Price Changes Financial information included in this plan includes the provision for inflation over the term of the plan. Council has used the price level change factors supplied by Business and Economic Research Limited (BERL) (2007) in order to calculate the amount of inflation to be included. The price changes are shown in the table below.	Actual price change levels will vary significantly from the levels used in this Plan.	2007/08 – 2008/09 Low/Low 2009/10 – 2015/16 Moderate/Moderate	Inflation is affected by external economic factors that are outside the control of Council.
	Projected Price Changes (%)		2009
	Labour		4.0
	Road		0
	Property		0
	Water		0
	Energy		0
	Other		0

Financial Overview and Forecasting Assumptions

Forecasting Assumption	Risk	Frequency/Financial Effect	Reason for Uncertainty
<p>Population Projections</p> <p>Population projections are provided by Statistics New Zealand for the South Waikato District. The impact of projected population decline is not expected to impact significantly on the level of rateable assessments of the District. Council estimates that the population will remain static for the period of this Plan.</p>	Population projections vary from those assumed in this Plan and impact on the service levels and rateable assessments	Low/Low	External factors that are outside the control of Council impact on demographic movement. The level of subdivision has not been projected for the period of this plan.
<p>Legislative Changes</p> <p>Impacts of changes in legislation have not been allowed for in this plan, eg, Local Government Law Reform Bill. However, National Drinking Water Standards impacts have been considered in the Plan.</p>	The impact of changes in legislation has a significant impact on the forecast financial statements.	Low/Low	Council has numerous pieces of legislation to comply with. Changes to legislation is driven factors outside this Council's control.
<p>Subsidies – Transport</p> <p>Financial subsidies rate received from Land Transport New Zealand are projected to remain the same for the period of this Plan. The current subsidy is 49% for operational expenditure and 59% for capital expenditure.</p>	That all funding requested will not be approved as part of the National Land Transport Programme. The approved works or subsidy rates received vary significantly from those projected during the period of the plan.	Low/Low	Pressure on national funding has occurred with demands of works for larger urban centres than those located in the South Waikato District.
<p>Subsidies – Water and Sewerage</p> <p>That Council will not receive any subsidies for future water or sewerage projects associated with compliance with National Standards.</p>	Council is eligible to receive significant subsidies for water and sewerage projects that assist compliance with National Standards.	Low/Moderate	The availability of central government funding and the timing and cost of projects will impact on the eligibility of Council to receive subsidy.
<p>Forecast Interest Rate on Borrowings</p> <p>Borrowing from external sources attracts an estimated interest rate of 8.0% per annum.</p>	That the borrowing rate is higher than projected.	Low/Low	External factors that are outside the control of Council impact on the cost of borrowing.
<p>Forecast Return on Investments</p> <p>Council's investment fund will achieve an average return of 5.75% per annum.</p> <p>Other cash investments will achieve an average return of between 5.5% and 6.00% per annum</p>	Actual returns achieved will be lower than the average return. Council's budget is based on using 4.64% of the annual return to offset the Uniform Annual General Charge.	Moderate/Low	The current asset allocation is projected to meet the average return. Future reviews of the asset allocations may impact on the likelihood of return. However, shortfalls in the annual return may be met by the use of Council's Investment Fluctuation reserve. Excess returns will be transferred to the reserve when they occur.
<p>Revaluation of Non-Current Assets</p> <p>Revaluation of non-current assets is based on the BERL indices for that class of asset over the period since the last revaluation. These indices are stated above in the category "Other".</p>	The values of Council's assets change significantly from that projected during the period of the plan.	Low/Moderate	The next revaluation is due in 2008/09. The movement of the asset base may differ from the projected inflation applied to the asset replacement cost. The impact affects the value of assets and depreciation.
<p>Resource Consents</p> <p>Council is required to have resources consents under the Resource Management Act 1991 for some infrastructural assets. Some of these consents require renewal. It is assumed that Council will obtain the necessary consents within the budgets provided</p>	Council is not able to obtain a resource consent.	Low/Medium	Resource consents are provided by Environment Waikato. Decisions of Environment Waikato are outside the control of Council. However, Council has obtained consents in the past.

Notes to the Financial Statements

1 Statement of Accounting Policies for the year ended 30 June 2007

Reporting Entity

The South Waikato District Council (Council) is a territorial authority governed by the Local Government Act 2002.

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

Basis of Preparation

The Financial Statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practices (NZ GAAP).

The financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefits entities.

The Council changed its accounting policies on 1 July 2006 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS 1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards' with 1 July 2005 as the date of transition.

This is the first set of financial statements prepared using NZ IFRS and comparatives for the year ended 30 June 2006 have been stated to NZ IFRS accordingly. Reconciliations of equity and net surplus (deficit) for the year ended 30 June 2006 under NZ IFRS to the balances reported in the 30 June 2006 financial statements are detailed in note 2.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position as at 1 July 2005 for the purposes of the transition to NZ IFRS.

The financial statements have been prepared on a historical cost basis, modified by the revaluations of land and buildings, certain infrastructural assets, and financial instruments (including derivative instruments).

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

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective. Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Council's financial report.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS-7 'Financial Instruments: Disclosures'	1 January 2007	30 June 2008
NZ IFRS-8 'Operating Segments'	1 January 2009	30 June 2010

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the Council.

Standard/ Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRIC-10 'Interim Financial Reporting and Impairment'	1 November 2006	30 June 2008
NZ IFRIC-11 'NZ IFRS-2 – Group and Treasury Share Transactions'	1 March 2007	30 June 2008
NZ IAS-23 'Borrowing Costs' – revised standard	1 January 2009	30 June 2010
NZ IFRIC-12 'Service Concession Arrangements'	1 January 2008	30 June 2009
NZ IFRIC-13 Customer Loyalty Programmes	1 July 2008	30 June 2009
NZ IFRIC-14 'IAS-19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1 January 2008	30 June 2009

NZ IFRIC 10

NZ IAS-34 'Interim Financial Reporting' requires an entity to apply the same accounting policies in its interim financial report as are applied in its annual financial report. It also states that measurements for interim reporting purposes are made on a year-to-date basis so that the frequency of reporting does not affect an entity's annual reports. NZ IFRIC-10 clarifies that an entity cannot reverse an impairment loss recognised in a previous interim period in relation to goodwill or in relation to either an investment in an equity instrument or in a financial asset carried at cost. This approach is consistent with impairment reversal prohibitions in NZ IAS-36 'Impairment of Assets' and NZ IAS-39 'Financial Instruments: Recognition and Measurement'.

NZ IFRIC-10 is required to be applied to goodwill prospectively from the date at which the entity first applied NZ IAS-36, and to investments in equity instruments or financial assets carried at cost, prospectively from the date at which the entity first applied the measurement criteria of NZ IAS-39.

NZ IFRIC 11

NZ IFRIC-11 clarifies the application of NZ IFRS-2 'Share-based Payment' to certain share-based payment arrangements involving the entity's own equity instruments and to arrangements involving equity instruments of the entity's parent. NZ IFRIC-11 is required to be applied retrospectively.

NZ IFRIC 12

NZ IFRIC-12 provides guidance on the accounting by operators for public-to-private service concession arrangements. In doing so, it prescribes the following:

- infrastructure that falls within the scope of NZ IFRIC-12 shall not be recognised as property, plant and equipment of the operator because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator
- depending on the terms of the arrangement, the operator will recognise:
 - a financial asset (where the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement); or
 - an intangible asset (where the operator's future cash flows are not specified – e.g. where they will vary according to usage of the infrastructure asset); or
 - both a financial asset and an intangible asset where the operator's return is provided partially by a financial asset and partially by an intangible asset.

NZ IFRIC-12 is required to be applied retrospectively.

Statement of Accounting Policies for the year ended 30 June 2007

NZ IFRIC 13

NZ IFRIC-13 addresses the accounting by entities that provide their customers with incentives to buy goods or services by providing awards (i.e. award credits) as part of a sales transaction. IFRIC-13 requires the entity that grants the awards to account for the sales transaction that gives rise to the award credits as a 'multiple element revenue transaction' and allocate the fair value of the consideration received or receivable between the award credits granted and the other components of the revenue transaction. NZ IFRIC-13 is required to be applied retrospectively.

NZ IFRIC 14

NZ IFRIC-14 addresses three issues for entities that (a) have a defined benefit superannuation plan; and (b) have a defined benefit plan asset:

- if an entity has refunds or reductions in future contributions, when they should be regarded as 'available' in the context of its defined benefit plan assets (paragraph 58 of NZ IAS-19 'Employee Benefits');
- how existing minimum funding requirements might affect the availability of the above reductions; and
- when a minimum funding requirement might give rise to a liability.

NZ IFRIC-14 is required to be applied from the beginning of the first period presented in the financial statements for annual periods beginning on or after the effective date.

NZ IAS 23 (revised)

NZ IAS-23 (July 2004) permits an entity to either expense or capitalise borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets. Under NZ IAS-23 (revised), entities are no longer permitted to choose between alternate treatments and must capitalise borrowing costs relating to qualifying assets.

NZ IAS-23 (revised) is generally to be applied prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. Accordingly, no restatements will be required in respect of transactions prior to the date of adoption.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Council and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods or services in the normal course of business, net of discounts and sales related taxes. The following specific recognition criteria must also be met before revenue is recognised.

Rates

Rates are recognised as income when assessments are issued. Rates charged to Council properties are excluded from rates income in the Statement of Financial Performance.

Government Grants

Government grants are recognised when:

- Claimed, for work completed on previously approved programmes.
- Eligibility has been established by the grantor.

The council receives government grants from Land Transport New Zealand, which subsidises part of the costs of maintaining the local roading infrastructure. These subsidies are recognised upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Fees and Charges

Fees and charges are recognised as income when the obligation to pay arises. Unbilled water meter sales as a result of unread meters at year end are accrued on an average usage basis.

Interest Income

Interest Income is recognised as it accrues using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

Dividends

Dividends are recognised as revenue when the rights to receive payment have been established.

Vested Assets

Vested assets are recognised as revenue when control over those assets is obtained. Vested assets are those assets Council does not pay for but fall under its ownership and control in order to facilitate the provision of services to the community.

Borrowing Costs

Borrowing costs are recognised as an expense when they are incurred.

Cost Allocation Policy

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity/usage information. Direct costs are those costs directly attributable to a specific activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Cost Drivers for Allocation of Indirect Costs

The cost of internal services not directly charged to activities is allocated as support costs, using appropriate cost drivers such as actual usage, staff numbers and floor area.

Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if the carrying amount will be recovered through a sale rather than continuing use. This condition is met only when the sale is highly probable and the asset is available for sale in its present condition. Council must be committed to the sale, and a completed sale is expected within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the asset's 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 statement of financial performance.

Any increase in fair value, less costs to sell, are recognised in the statement of financial performance up to the level of any impairment losses that have been previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Property, Plant and Equipment

These are classified as:

Operational Assets

These are tangible assets and include land, buildings and improvements, motor vehicles, South Waikato Indoor Pools and associated equipment and Library collection.

Restricted Assets

These assets cannot be disposed of because of legal or other restrictions and provide a benefit or service to the community. They include:

- All property (excluding South Waikato Indoor Pools) associated with recreation, scenic, historic purposes, esplanade and local purpose reserves, including the reserve land.
- All cemeteries.
- All land contained within road reserves.

Infrastructural Assets

These are fixed utility systems that provide a continuing service to the community and are not generally regarded as tradeable. They include:

- All property, plant and equipment associated with water supply, sewerage, stormwater and waste disposal, including the land that they are located upon.

Statement of Accounting Policies for the year ended 30 June 2007

- All roads, service lanes, footpaths, street lights, carparks and associated street furniture.
- All public toilets and restrooms, public halls and the land they are situated upon.

Measurement at Recognition

All items of property, plant and equipment that qualify for recognition as assets are measured at cost. An item of property, plant and equipment is recognised as an asset if, and only if, it's probable that future economic benefits or service potential associated with them will flow to Council and the cost of the item can be measured reliably. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Measurement after Recognition

Property, Plant and equipment are shown at cost or revalued amount, less accumulated depreciation and impairment losses. Those asset classes that are revalued are valued on a three yearly valuation cycle on the basis described below. All revaluations are performed by independent and qualified valuers. All other asset classes are carried at depreciated historical cost. The carrying amounts of revalued items are reviewed at each balance date to ensure that those values are not materially different from fair values.

Operational Assets

Land and Buildings

At fair value as determined from market – based evidence. The most recent valuation was performed by Reid and Reynolds, Registered Valuers and Property Consultants, Rotorua, on 20 July 2007, effective as at 30 June 2007.

Motor Vehicles, Plant and Equipment

At cost less accumulated depreciation and any accumulated impairment losses.

Library Collection

At cost less accumulated depreciation and any accumulated impairment losses.

Heritage Assets

At fair value as determined from market –based evidence. The most recent valuation performed by Webb Galleries, on 15 December 2005.

Restricted Assets

Restricted land and buildings are carried at fair value less accumulated depreciation. The most recent market –based valuation was performed by Reid and Reynolds, Registered Valuers and Property Consultants, Rotorua, 20 July 2007, effective as at 30 June 2007.

Infrastructural Assets

Land underneath roads was revalued on 20 July 2007, effective as at 30 June 2007 by Reid and Reynolds, Registered Valuers and Property Consultants, Rotorua, at current market value. The valuation methodology used for land underneath roads is the assessment of the value based upon an indicated value of the land adjoining the roads. Rural and urban roads have been separated and the average land value for adjoining land for each separate division applies. In some cases, a discount has been applied to the land value.

Roads, large culverts and bridges were re-valued on 1 July 2004 by Mrs K Taylor, Senior Engineer, Spencer Holmes Limited, Wellington. Each asset component was valued taking into account its remaining useful life. The valuation approach adopted is the optimised depreciated replacement value.

Sewage disposal and water supply property plant and equipment were re-valued on 1 July 2004 by Mrs K Taylor Senior Engineer, Spencer Holmes Limited, Wellington at optimised depreciated replacement value.

The underground reticulation pipework was also re-valued on 1 July 2004 at optimised depreciated replacement value by Mrs K Taylor Senior Engineer, Spencer Holmes Limited, Wellington.

Paper roads, with a total length of 152.269 km are recorded at land value.

Costs incurred in obtaining any resource consents are capitalised as part of the asset to which they relate. If a resource consent application is declined, then all capitalised costs are written off.

Accounting for Revaluation

Council accounts for revaluations on property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of financial performance. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the statement of financial performance will be recognised first in the statement of financial performance up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Depreciation

Property Plant and Equipment are depreciated on a straight-line basis at rates that reflect their estimated useful lives.

Depreciation is charged to write off the cost or valuation of assets, other than land and properties under construction and formation cost, over their estimated useful lives. The depreciation rates used are applied at a component level and are dependent on the remaining useful life of each component. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Operational and Restricted Assets

Land	Not depreciated
Buildings	40 – 100 years
Plant and Equipment	5 – 30 years
Swimming Pools	40 – 100 years
Motor Vehicles	5 years
Computer equipment and furniture	3 – 10 years
Library Assets	5-10 years

Infrastructural Assets

Roading Network

Top Surface – Rural	1 – 18 years
Top Surface – Urban	1 – 22 years
Pavement – Rural	40 – 70 years
Pavement – Urban	40 – 99 years
Culverts	25 – 80 years
Footpaths	10 – 80 years
Kerbs	80 years
Signs	
6 – 9 years	
Street Lights and Poles	25 – 70 years
Bridges	78 – 118 years
Land under Roads	Not depreciated

Waste

Landfills	7 – 100 years
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Sewerage Systems

Reticulated Pipework	70 – 90 years
Manholes	80 years
Treatment Plant	5 – 80 years
Depreciation (continued)	

Stormwater Systems

Reticulated Pipework	50 – 90 years
Manholes and Cesspits	90 years
Detention Dams	60 years

Water Supply Systems

Reticulated Pipework	55 – 95 years
Valves and hydrants	80 years
Pump Stations	Up to 100 years
depending on components	
Storage Tanks	25 – 80 years

Statement of Accounting Policies for the year ended 30 June 2007

Impairment

All assets current and non-current are tested annually for indicators of impairment or whenever events or changes in circumstances indicate 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 the 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 an entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

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 the class of assets. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of financial performance.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of financial performance.

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 the class of asset was previously recognised in statement of financial performance, a reversal of the impairment loss is also recognised in the statement of financial performance.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the statement of financial performance.

Disposals

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

Subsequent Cost

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 Council and the cost can be measured reliably.

Assets under Construction

Capital works under construction is valued at cost. The total cost of the project is transferred to the relevant asset class on its completion and then depreciated.

Vested Assets

Certain infrastructure assets have been vested in Council and are recognised in the statement of financial performance at fair value. These assets have been valued based on the actual quantities of infrastructure components vested and the current "in the ground" cost of providing identical services. Vested assets include talking poles, pavement art, Tokoroa town clock, airport tower, Tokoroa Skateboard Park, culverts and water pipes. On initial recognition the fair value of vested assets is recognised in the income statement. Subsequent to this vested assets are revalued together with other property, plant and equipment and surpluses or deficits arising on revaluation are treated in the same way as other property, plant and equipment.

Intangible Assets

Computer Software

Acquired computer software is capitalised on the basis of the cost incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as expense when incurred.

Easements

No value is attached to easements due to difficulty in establishing their original cost or fair value.

Amortisation of Intangible Assets

The carrying amount of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the statement of financial performance. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software 3 – 4 years

Financial Instruments

Financial Assets

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

Initial Measurement and Recognition

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through profit and loss in which case the transaction costs are recognised in the statement of financial performance.

Purchases and sales of investments are recognised on trade-date on which Council commits to purchase or sell the asset.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

Subsequent Measurements

Financial assets at fair value through profit and loss

These consist of forward foreign exchange contracts that are assets. Council uses these derivative financial instruments to hedge exposure to foreign exchange fluctuations. However, as permitted by NZ IAS 39, Council does not employ hedge accounting techniques in its accounting for derivative financial instruments. After initial measurement these assets are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in statement of financial performance.

Investments Held to Maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council has the positive intention and ability to hold to maturity. Currently Council does not hold any assets in this category. After initial recognition these are measured at amortised cost using the effective interest method with gains and losses when the asset is impaired or derecognized going through the statement of financial performance.

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 loans and receivables are carried at amortised cost less any provision for impairment. Loans and receivables are classified as trade and other receivables in the statement of financial position and include rate receivable, accrued income, LTNZ Subsidies receivable and accrued landfill charges.

Available for Sale Financial Assets

These are financial assets that are designated as available for sale or are not classified as any of the above categories. These include bonds, and shares, investment in Local Authority Shared Services Limited and Local Government Civic Assurance. If these assets are traded in an active market they are measured at fair value using quoted market prices. If they are not traded in an active market they are measured at cost. Any gain or loss arising from a change in the fair value of financial assets with a quoted market price is recognised in equity including any related foreign exchange component. On derecognition the cumulative gain or loss is recognised in the statement of financial

Statement of Accounting Policies for the year ended 30 June 2007

performance. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the statement of financial performance even though the asset has not been derecognised.

Impairment of Financial Assets

At each balance sheet date 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 statement of financial performance.

Financial Liabilities

Financial liabilities including debt instruments issued by Council are classified according to the substance of the contractual arrangements entered into.

The accounting policies adopted for specific financial liabilities are as follows:

Bank Borrowings

Interest bearing bank loans are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Debt Instruments

Council issues bonds from time to time to raise funds. These are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Trade Payable

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

Derivative Financial Instruments

These are mainly forward foreign exchange contracts that are liabilities. These are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Any gain or loss is recognised in the statement of financial performance immediately.

Council activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

Council uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations which relate to certain firm commitments and forecasted transactions. The significant interest rate risk arises from bank loans.

The use of financial derivatives is governed by Council's policies approved by Councillors, which provide written principles on the use of financial derivatives consistent with Council's risk management strategy. Council does not use derivative financial instruments for speculative purposes.

Investment in CCO

Council has an interest (2.7%) in a Council Controlled Organisation (CCO), Local Authority Shared Services Limited. Council has no significant influence on operational or financial policies. Council reports this investment at cost.

Inventories

Inventories held for distribution or consumption in the provision of services is measured at the lower of cost and current replacement cost. The cost to these inventories is assigned by using the weighted average cost formula. The write down from cost to current replacement cost is recognised in the statement of financial performance.

Foreign Currencies

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. At each Statement of Financial Position date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the Statement of Financial Position date. Non monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that

are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of transaction.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand demand deposits and other short-term highly liquid investments with original maturities of three month or less from the date of acquisition.

Taxation

Council is exempt from taxation on its income, except on amounts received in trust, amounts derived from Council-Controlled Organisations, or amounts received from an energy or port company.

Goods and Service Tax

All items in the financial statements 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 net amount of GST recoverable from, or payable to the Inland Revenue (IRD) is included as part of receivables or payables in the statement of financial position. The net amount of GST paid 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 flow.

Commitments and contingencies are disclosed exclusive of GST.

Employee Benefits

Short term Benefits

Employee benefits that 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, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

Council recognised a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlement 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 Council anticipate it will be used by staff to cover those future absences.

Long Service Leave and Retirement Leave

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave have been calculated on actuarial basis using the service of professional actuaries. The actuarial calculations are based on an assumed salary increase of 4% per annum and a discount rate of 6.8% per annum. The discount rate is derived from the forward rates on NZ Government Bonds over recent periods. It's also assumed that all employees will retire at the age of 65 and will resign in accordance with the withdrawal rate assumption taken from the Treasury Circular 1998/15. Any actuarial gain or loss resulting from re-measurement of these liabilities is recognised in the statement of financial performance.

Employees appointed to the staff prior to 31 December 1989 who retire from Council with not less than ten years continuous service are eligible for retirement leave.

Employees appointed to the staff prior to 1 April 1992 are eligible for long service leave.

Superannuation Schemes

Defined Contribution Scheme

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the statement of financial performance.

Statement of Accounting Policies for the year ended 30 June 2007

Public Equity

Public equity is the community's interest in the Council, as measured by the value of total assets less total liabilities. Public equity is disaggregated and classified into a number of reserves to enable clearer identification of the specific uses Council makes of its accumulated surpluses. The components of equity are:

- General Equity.
- Council-Created Reserves.
- Restricted Reserves.
- Asset Revaluation Reserves.
- Investment Revaluation Reserve

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned.

General Equity

General equity refers to reserves that do not fall into any of the four categories below.

Council-Created Reserves

Council-Created Reserves are a part of the accumulated balance and are established at the will of Council. Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of Council.

Restricted Reserves

Restricted Reserves are those reserves subject to specific conditions accepted as binding by the Council and which may not be revised by Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specific purposes or if certain specified conditions are met. The reserves represent balances held from the collection of targeted rates and charges on activities that are funded from targeted rating or those same activities funding depreciation.

Asset Revaluation Reserve

Asset Revaluation Reserve covers the surpluses of all assets that are revalued for classes of property, plant and equipment.

Investment Revaluation Reserve

The Investment Revaluation Reserve contains cumulative unrealised gains and losses in investments classified as "available for sale" in accordance with NZ IAS 39.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance Leases

Council as Lessee

At the commencement of the lease term, 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 Council will retain ownership at the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Council as Lessor

Amounts due from lessees under finance leases are recorded as receivables and are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease income is allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect

of the lease.

Operating Leases

Council as Lessee

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

Council as Lessor

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Provisions

Council recognises a provision for future expenditure of uncertain amount when there is a present obligation (legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

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

Landfill Post-Closure Provision

Council, as operator of the Tokoroa and Putaruru landfills, has a legal obligation under its resource consent, to provide ongoing maintenance and monitoring services at the landfill site after closures. A provision for post-closure costs is recognised as a liability when the obligation for post-closure expenses arises.

A calculation of the future costs of this monitoring has been discounted and is measured based on the present value of future cash flows expected to be incurred, taking into account future events, including new legal requirements and known improvements in technology. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to Council. Amounts provided for landfill post-closure are capitalised in the landfill asset where they give rise to future economic benefit to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires Council to make specified payments to reimburse the 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.

Critical Judgements and Estimations

Council has designated all its bond investments as "available for sale", rather than "held to maturity" although they all have specific maturity dates. This was due to significant disposals of same before maturity during the last three financial years. Therefore, unrealised gains and losses on these investments are recognised as a movement in equity (Investment Revaluation Reserve).

Key assumptions concerning the future have been made in the actuarial computation of long service leave and retiring leave. These are disclosed in note 6 to the financial statements. Assumptions about the future have also been made in the computation of the landfill closure and post closure cost provisions. These are disclosed in note 18 to the financial statements. The assumptions disclosed in these notes have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Changes In Accounting Policies

There have been no changes in accounting policies from the previous year.