3.0 Financial Information

The Cenotaph - Te Kuiti

3.1 Introduction

This section outlines Council's financial position for the 2011/12 year. Firstly the information below shows the impact of the measures Council has taken as it moves to a sustainable financial plan, and secondly, the information shows the need to advance and/ or introduce major capital works to address the performance of its essential infrastructure. The overall financial position remains positive, despite these challenges.

3.2 Cost of Service Statement for all Council Activities

EAP 2010/11 $000's		LTP 2011/12 $000's	EAP 2011/12 $000's	Variance to LTP $000's
	Operating Income			
(1,226)	Community and Cultural Sustainability	(1,233)	(1,269)	(36)
(4,496)	Environmental Sustainability	(1,908)	(6,241)	(4,333)
(6,793)	Economic Sustainability	(7,514)	(6,914)	600
(12,515)	**Total Income**	**(10,655)**	**(14,424)**	**(3,769)**
	Direct Operating Expenditure			
6,585	Community and Cultural Sustainability	6,716	6,911	195
4,804	Environmental Sustainability	5,347	5,055	(292)
11,417	Economic Sustainability	12,766	11,190	(1,576)
22,806	**Total Direct Expenditure**	**24,829**	**23,156**	**(1,673)**
10,291	**Net Operating Cost/ (Surplus)**	**14,174**	**8,732**	**(5,442)**
	Capital Expenditure			
478	Community and Cultural Sustainability	667	594	(73)
6,191	Environmental Sustainability	1,168	7,589	6,421
6,530	Economic Sustainability	7,579	5,979	(1,600)
13,199	**Total Capital Expenditure**	**9,414**	**14,162**	**4,748**
23,490	**Total Expenditure**	**23,588**	**22,894**	**(694)**
	Funded By			
(6,388)	Loans	(2,750)	(4,274)	(1,524)
(2,651)	Reserves	(2,994)	(3,131)	(137)
(3,088)	General Rates	(2,890)	(2,993)	(103)
(3,013)	UAGC	(2,960)	(2,999)	(39)
(8,350)	Service Charges	(11,994)	(9,497)	2,497
(23,490)	**Total Funding**	**(23,588)**	**(22,894)**	**694**

3.3 Prospective Statement of Financial Position as at 30 June 2012

EAP 2010/11 $000's		LTP 2011/12 $000's	EAP 2011/12 $000's
	Public Equity		
200,791	Retained Earnings	202,320	197,482
2,475	Other Reserves	5,257	2,516
47,309	Revaluation Reserves	49,407	50,911
250,575	**Total Public Equity**	**256,984**	**250,909**
	Current Assets		
1,491	Cash and Cash Equivalents	1,461	794
1	Other Financial Assets	1	2
88	Inventories	87	31
3,809	Trade and Other Receivables	6,439	3,416
5,389	**Total Current Assets**	**7,988**	**4,243**
	Current Liabilities		
3,534	Trade and Other Payables	6,069	3,361
1,048	Current Portion of Borrowings	1,177	1,133
39	Provisions	14	54
0	Taxation Payable	0	0
363	Employee Entitlements	334	395
4,984	**Total Current Liabilities**	**7,594**	**4,943**
405	**Net Working Capital**	**394**	**(700)**
	Non Current Assets		
286,116	Property, plant and equipment	299,505	295,346
75	Forestry Assets	75	75
842	Investment Property	354	596
8,436	Other Financial Assets	9,038	34
163	Deferred Tax Assets	100	0
295,632	**Total Non Current Assets**	**309,072**	**299,051**
	Non Current Liabilities		
44,747	Borrowings	51,946	43,509
64	Employee Entitlements	64	69
651	Provisions	472	864
0	Derivative Financial Instruments	0	0
45,462	**Total Non Current Liabilities**	**52,482**	**44,442**
250,575	**Net Assets**	**256,984**	**250,909**

3.4 Prospective Statement of Financial Performance

EAP 2010/11 $000's		LTP 2011/12 $000's	EAP 2011/12 $000's
	Revenue		
8,433	Subsidies	6,207	10,462
5	Investment Income	433	16
14,662	Rates Revenue (including Rate Penalties)	18,066	15,764
3,864	Fees and Charges	3,788	3,674
9	Gains/Loss on Revaluation of Investment Properties	11	13
26,973	**Total Revenue**	**28,505**	**29,929**
	Expenditure		
2,957	Employee Benefit Expenses	2,997	2,968
4,120	Depreciation and Amortisation	4,888	4,528
3,392	Finance Costs	3,603	2,964
12,344	Other Expenditure	13,347	12,712
0	Impairment Losses	0	0
22,813	**Total Expenditure**	**24,835**	**23,172**
4,160	**Surplus/(Deficit) Before Tax**	**3,670**	**6,757**
0	Less Taxation Expense	0	0
4,160	**Net Surplus/(Deficit)**	**3,670**	**6,757**
	Other Comprehensive Income		
0	Gains/(Loss) on Revaluation of Investment Properties	0	0
4,160	**Total Comprehensive Income for the Year**	**3,670**	**6,757**

3.5 Prospective Statement of Recognised Income and Expenses for the Year to 30 June 2012

EAP 2010/11 $000's		LTP 2011/12 $000's	EAP 2011/12 $000's
	Operating Income		
246,415	Balance at 1 July	253,314	244,152
0	Property, Plant and Equipment Gains	0	0
	Financial Assets at Fair Value through equity valuation (losses) taken to equity		
0	**Net Income Recognised Directly in Equity**	**0**	**0**
4,160	Net Surplus/(Deficit) for the Year	3,670	6,757
4,160	**Total Recognised Income for the year Ended 30 June**	**3,670**	**6,757**
250,575	**Balance at 30 June**	**256,984**	**250,909**

3.6 Prospective Cashflow Statement for the Year Ended 30 June 2012

EAP 2010/11 $000's		LTP 2011/12 $000's	EAP 2011/12 $000's
	Cash flow from Operating Activities		
	Cash provided from:		
14,443	Rates Revenue Including Penalties	17,822	15,528
8,433	Subsidies and grants	6,207	10,462
311	Property Rentals	316	319
115	Petrol Tax	122	129
5	Interest from Investments	5	16
3,447	Other Revenue	3,350	3,239
0	Dividend and Subvention Receipts	428	0
26,754	**Total**	**28,250**	**29,693**
	Cash applied to:		
14,918	Payments to suppliers and employees	16,005	15,340
272	Elected members	227	235
3,392	Interest Paid on Borrowings	3,603	2,964
18,582	**Total**	**19,835**	**18,539**
8,172	**Net cash flows from Operating Activities**	**8,415**	**11,154**
	Cash outflow from Investing Activities		
	Cash applied to:		
13,384	Purchase and development of property, plant and equipment	9,548	14,595
13,384	**Net cash inflow from Investing Activities**	**9,548**	**14,595**
	Cash flow from Financing Activities		
	Cash provided from:		
6,387	Proceeds from borrowings	2,750	4,274
	Cash applied to:		
1,048	Repayment of borrowings	1,177	1,133
5,339	**Net cash flow Financing Activities**	**1,573**	**3,141**
127	**Net Increase/(Decrease) in cash**	**441**	**(300)**
1,364	Cash at start of period	1,020	1,094
1,491	**Balance of cash at end of year**	**1,461**	**794**
1,491	**Cash and cash equivalents**	**1,461**	**794**

3.7 Prospective Statement of Reserve Movements

EAP 2010/11 $000's		LTP 2011/12 $000's	EAP 2011/12 $000's
4,000	**Balance 1 July**	12,316	2,683
217	Transfer to/from Reserves	582	(171)
4,217	**Total Other Reserves**	**12,898**	**2,512**

3.8 Prospective Statement of Public Debt

EAP 2010/11 $000's		LTP 2011/12 $000's	EAP 2011/12 $000's
40,456	**Balance 1 July**	51,553	41,501
6,387	Loans Raised	2,750	4,274
(1,048)	Loans Repaid	(1,180)	(1,133)
45,795	**Balance 30 June**	**53,123**	**44,642**

3.9 Reconciliation of Summary Cost of Service Statement to Prospective Statement of Financial Performance

EAP 2010/11 $000's		LTP 2011/12 $000's	EAP 2011/12 $000's
	From Summary Cost of Service Statement		
10,291	Net Operating Cost/Surplus	14,174	8,732
	Plus Rates Revenue		
(3,088)	General Rates	(2,890)	(2,993)
(3,013)	UAGC	(2,960)	(2,999)
(8,350)	Targeted Rates	(11,994)	(9,497)
(4,160)	**Net (Surplus)/Deficit**	**(3,670)**	**(6,757)**
	From Prospective Comprehensive profit or loss		
4,160	**Net Surplus/(Deficit)**	**3,670**	**(6,757)**

3.10 Prospective Statement of Capital Expenditure

EAP 2010/11 $000's		LTP 2011/12 $000's	EAP 2011/12 $000's
	Community Facilities		
129	Parks and reserves	101	101
95	Housing and other properties	175	169
223	Recreation and culture	274	207
31	Public Amenities	117	117
478	**Total Community Facilities**	**667**	**594**
	Solid Waste Management		
127	Landfill Management	148	147
127	**Total Solid Waste Management**	**148**	**147**
	Stormwater		
81	Te Kuiti Stormwater	113	16
18	Rural Stormwater	8	8
99	**Total Stormwater**	**121**	**24**
	Sewerage		
2,641	Te Kuiti	876	6,106
388	Te Waitere	2	185
1,076	Benneydale	21	23
1,860	Piopio	0	1,104
5,965	**Total Sewerage**	**899**	**7,418**
	Water Supply		
319	Te Kuiti	292	21
750	Mokau	771	1,153
444	Piopio	51	13
21	Benneydale	6	6
1,534	**Total Water Supply**	**1,120**	**1,193**
	Land Transport		
4,507	Subsidised Roading	5,944	4,570
489	Non-Subsidised Roading	515	216
4,996	**Total Land Transport**	**6,459**	**4,786**
	Corporate Support		
185	Corporate Support	134	434*
185	**Total Corporate Support**	**134**	**434**
13,384	**Total Capital and Renewal Expenditure**	**9,548**	**14,596**

** This includes one-off IT upgrade projects ($165,000), urban aerial photography of $35,000 (carried out every 3 years).*

3.11 Funding Impact Statement

Introduction

The funding impact statement reflects the outcome of all that is planned in the Exceptions Annual Plan 2011/12. In some cases, the incidence of rates for some activities will change, regardless of any variations to the Statements of Financial Performance for the significant activities.

The table of rating examples (3.12) illustrates the 'bottom-line' impact of all the matters on selected properties.

Council is required under Schedule 10(13) of the Local Government Act 2002 (LGA) to adopt a Funding Impact Statement as part of its Annual Plan. The Funding Impact Statement provides a summary of Council's funding sources as well as the rate requirement for the 2011/12 financial year. The Funding Impact Statement represents the fiscal outcome from the Revenue and Financing Policy a copy of which can be found on Council's website: www.waitomo.govt.nz/publications/policy.

Rates Remissions and Postponements

Remissions

Council is required to have a policy on rates remissions and postponements. Council has developed a remissions policy as per LGA (section 102 (5)(a)) and LGRA (Section 85) a copy of which can be found on Council's website: www.waitomo.govt.nz/publications/policy. It includes the objectives of the remissions targeting each of social, cultural, environmental and economic well-beings. Remissions categories include: clubs, societies, community organisations, new subdivisions, Council properties, financial hardship, Maori Freehold Land, organisations providing care for the elderly and UAGC and other Targeted Rates (for two or more rating units used jointly).

The value of these remissions is estimated to be $110,000 for the 2011/12 financial 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

Rating units, parts or portions of rating units are terms used to define separately used or inhabited rating units and include any part of a rating unit used or inhabited by the owner or any other person who has the right to use or inhabit that part by virtue of tenancy, lease or other agreement. At a minimum, the land or premises intended to form the separately used or inhabited part of the rating unit must be capable of actual habitation, or actual separate use. For the avoidance of doubt, a rating unit that has only one use (i.e. does not have separate parts or is vacant land) is treated as being one separately used or inhabited part. Detailed practice notes are included as Appendix 4.1 of this EAP.

Statement of Funding Sources

The following table provides a summary of the funding sources for the 2011/12 financial year. 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.

EAP 2010/11 $000's		LTP 2011/12 $000's	EAP 2011/12 $000's	Variance to LTP $000's
	Targeted Rates			
1,315	Sewerage	1,793	1,502	(291)
1,351	Water	1,508	1,400	(108)
562	Targeted Services	581	459	(122)
2,545	Land Transport	3,744	2,334	(1,410)
1,214	Land Transport Special Levy	2,814	2,306	(508)
759	Solid Waste Management	906	810	(96)
242	Solid Waste Collection	338	290	(48)
360	Stormwater	309	392	83
4	Marokopa Hall	4	4	0
8,352	**Total Targeted Rates**	**11,997**	**9,497**	**(2,500)**
3,040	UAGC	2,959	2,999	40
3,060	General Rates	2,889	2,993	104
14,452	**Total Rates**	**17,845**	**15,489**	**(2,356)**
	Other Revenue			
8,433	Subsidies	6,207	10,462	4,255
210	Rates Penalties	222	275	53
5	Dividends and Interest	433	16	(417)
3,872	Fees and Charges	3,788	3,674	(114)
12,520	**Total Other Revenue**	**10,650**	**14,427**	**3,777**
	Other Funding Sources			
6,387	Borrowing	2,750	4,274	1,524
6,387	**Total Other Funding**	**2,750**	**4,274**	**1,524**
33,358	**Total Funds Raised**	**31,245**	**34,190**	**2,945**
18,712	Operating Expenditure	19,937	18,632	(1,388)
13,384	Capital Expenditure	9,548	14,596	5,048
1,048	External Loan Repayments	1,177	1,133	(44)
215	Reserve Transfers	583	(171)	(754)
33,358	**Total Funds Used**	**31,245**	**34,190**	**2,945**

Funding cap for Uniform Annual Charge

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

For the purposes of calculating the Funding Cap, uniform charges that are levied on the district as a whole are included in the calculation. Council is not in breach of the Funding Cap for this Annual Plan. The Funding Cap for the 2011/12 financial year is 25%.

1.0 GENERAL RATE

1.1 General Rate

Description and Use

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

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

Requirement in 2011/12 (incl. GST)

	Rate per $100 Capital Value	Total Revenue Requirement ($000)
General Rate District (CV)	0.11214	3,442

2.0 UNIFORM ANNUAL GENERAL CHARGE

Description and Use

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

The UAGC will contribute to the funding of:

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

Requirement in 2011/12 (incl. GST)

Uniform Annual General Charge	Charge	Total Revenue Requirement ($000)
UAGC	$633	3,449

3.0 TARGETED RATES

Description and Use

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

3.1 Targeted Rates Differentiated on Location

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

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

1. Te Kuiti Urban Rating Area	All rating units situated within the Te Kuiti Urban Ward as defined by the Basis of Election for the 2010 Triennial Elections.
2. Te Kuiti Urban and Periphery Rating Area	All rating units situated within a 5 km radius, all around, from the Information Centre (deemed to be the centre of town), in Te Kuiti.
3. Rural Rating Area	All rating units situated within the Rural Ward as defined by the Basis of Election for the 2010 Triennial Elections.

(a) Targeted Services TUAC

Description and Use

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

Requirement in 2011/12 (incl. GST)

Targeted Services TUAC	Charge	Total Revenue Requirement ($000)
Te Kuiti Urban and Periphery	$177	411
Rural	$37	117

(b) Stormwater TUAC

Description and Use

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

Requirement in 2011/12 (incl. GST)

Stormwater TUAC	Charge	Total Revenue Requirement ($000)
Te Kuiti	$183	368
Rural	$24	83

(c) Marokopa Community Centre TUAC

Description and Use

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

Requirement in 2011/12 (incl. GST)

Marokopa Community Centre TUAC	Charge	Total Revenue Requirement ($000)
TUAC	$23	5

3.2 Targeted Rates Differentiated on Service Provision

Description and Use

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

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

3.3 Water Rates

Description and Use

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

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

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

Requirement in 2011/12 (incl. GST)

Water Supply (TUAC)	Charge		Total Revenue Requirement ($000)
	Per connected rating unit	Per serviceable rating unit	
Te Kuiti	$453	$227	923
Piopio	$912	$456	221
Benneydale	$1,400	$700	156
Mokau	$1,400	$700	289

3.4 Subsidy Rate for Benneydale Water

Description and Use

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

Requirement in 2011/12 (incl. GST)

Subsidy for Benneydale Water	Charge	Total Revenue Requirement ($000)
No. of Properties = 4,563	$5	21

3.5 Sewerage Rates

Description and Use

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

Requirement in 2011/12 (incl. GST)

Sewerage (TUAC)	Charge		Total Revenue Requirement ($000)
	Per connected rating unit	Per serviceable rating unit	
Piopio		$1000	195
Benneydale	$1000	$500	82
Te Waitere	$1000	$500	15
Te Kuiti	$662	$331	1,111

A Trade Waste Contribution TUAC will also be levied on every 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.

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

Requirement in 2011/12 (incl. GST)

Te Kuiti Trade Waste Contribution	Charge	Total Revenue Requirement ($000)
No. of Properties = 4,563	$15	66

Te Kuiti

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

All non-residential properties will be charged one base charge for up to three pans and per pan for every pan over and above this threshold. The base charge will be categorised by the businesses hours of operation as calculated below.

Requirement in 2011/12 (incl. GST)

Category	Calculation factor per pan	Base Charge
Business hours more than 40 hours	0.76	$503
Business hours equal to 40 hours	0.36	$238
Business hours less than 40 hours	0.20	$132

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

Requirement in 2011/12 (incl. GST)

Category	Calculation factor per pan	Pan Charge
Business hours more than 40 hours	0.76	$503
Business hours equal to 40 hours	0.36	$238
Business hours less than 40 hours	0.20	$132

3.6 Subsidy Rate for Te Waitere Sewerage

Description and Use

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

Requirement in 2011/12 (incl. GST)

Subsidy for Te Waitere Sewerage	Charge	Total Revenue Requirement ($000)
No. of Properties = 4,563	$7	32

3.7 Subsidy Rate for Benneydale Sewerage

Description and Use

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

Requirement in 2011/12 (incl. GST)

Subsidy for Benneydale Sewerage	Charge	Total Revenue Requirement ($000)
No. of Properties = 4,563	$10	48

3.8 Land Transport Rate

Description and Use

Council will set a Land Transport Rate assessed as a rate per $100 capital values across the District to part fund Subsidised Roading (part of Land Transport Activity). Rationale for use of the rate is contained in the Revenue and Financing Policy.

Land Transport Special Levy

Description and Use

Council will set a Special Land Transport Levy as a rate per $100 capital values across the District to part fund Subsidised Roading (part of Land Transport Activity). Rationale for use of the rate is contained in the Revenue and Financing Policy.

Requirement in 2011/12 (incl. GST)

District Roading Rate	Rate per $100 Capital Value	Total Revenue Requirement ($000)
Land Transport Rate	0.08742	2,684
Land Transport Special Levy	0.08640	2,652

3.9 Solid Waste Collection

Description and Use

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

Requirement in 2011/12 (incl. GST)

Solid Waste Collection (TUAC)	Charge	Total Revenue Requirement ($000)
Te Kuiti	$86	168
Waitomo	$113	61
Piopio	$87	20
Mokau	$320	85

3.10 Solid Waste Management

Description and Use

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

Requirement in 2011/12 (incl. GST)

Solid Waste Management (TUAC)	Charge	Total Revenue Requirement ($000)
Solid Waste	$168	932

4.0 RATES PAYMENTS

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

1st Instalment 31 August 2011 (Wednesday)
2nd Instalment 30 November 2011 (Wednesday)
3rd Instalment 29 February 2012 (Wednesday)
4th Instalment 31 May 2012 (Thursday)

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

Penalties

- A first additional charge of 10% will be added to the amount of any instalment unpaid at the close of business, being 5.00pm on the last day for payment.
- A further additional charge of 10% will be added to all rates remaining unpaid (including all rates levied in any previous financial year) on 1 July 2012 and a continuing charge of 10% will be added thereafter to all rates remaining unpaid at twelve monthly intervals.

3.12 Rating Examples

3.12.1 Rates Examples 2010/11

Including GST at 12.5% up to 1 October 2010, then 15% onwards.

Capital Value $ as at Sep 2009	Te Kuiti Residential 160,000 2010/11	Te Kuiti Commercial 260,000 2010/11	Benneydale Residential 45,000 2010/11	Piopio Residential 149,000 2010/11	Mokau Residential 240,000 2010/11	Drystock Rural 3,850,000 2010/11	Dairy Farm Rural 3,140,000 2010/11
Uniform Annual General Charge (UAGC)	637	637	637	637	637	637	1,911
General Rate	180	293	51	168	271	4,340	3,551
District Wide Roading Rate	150	244	42	140	225	3,610	2,954
District Wide Roading Rate (Catch Up)	72	116	20	67	107	1,722	1,409
Targeted Services Rate (Urban)							
Swimming Pool	93	93					
Unsubsidised Roading	130	130					
Targeted Services Rate (Rural)							
Swimming Pool			30	30	30	30	90
Unsubsidised Roading			10	10	10	10	30
Subsidy Rate for Te Waitere Sewerage	11	11	11	11	11	11	11
Subsidy Rate for Benneydale Water	5	5	5	5	5	5	5
Subsidy Rate for Benneydale Sewerage	6	6	6	6	6	6	6
Subsidy Rate for Mokau Water							
Stormwater (Urban)	159	159					
Stormwater (Rural)			27	27	27	27	81
Water Supply	439	439	1,300	842	1,300		
Sewerage	516	186	900	715			
Te Kuiti Trade Waste	43	43	43	43	43	43	43
Solid Waste							
Landfill Management - District	156	156	156	156	156	156	468
Collection and Recycling	72	72		72	257		
Total Rates	**2,669**	**2,590**	**3,238**	**2,929**	**3,085**	**10,597**	**10,559**

3.12.2 Rates Examples 2011/12

Including GST at 15%

Capital Value $ as at Sep 2009	Te Kuiti Residential 160,000 2011/12	Te Kuiti Commercial 260,000 2011/12	Benneydale Residential 45,000 2011/12	Piopio Residential 149,000 2011/12	Mokau Residential 240,000 2011/12	Drystock Rural 3,850,000 2011/12	Dairy Farm Rural 3,140,000 2011/12
Uniform Annual General Charge (UAGC)	633	633	633	633	633	633	1,899
General Rate	179	292	50	167	269	4,317	3,532
District Wide Roading Rate	140	227	39	130	210	3,366	2,754
District Wide Roading Rate (Catch up)	138	225	39	129	207	3,326	2,722
Targeted Services Rate (Urban)							
Swimming Pool	97	97					
Unsubsidised Roading	80	80					
Targeted Services Rate (Rural)							
Swimming Pool			31	31	31	31	92
Unsubsidised Roading			7	7	7	7	20
Subsidy Rate for Te Waitere Sewerage	7	7	7	7	7	7	7
Subsidy Rate for Benneydale Water	5	5	5	5	5	5	5
Subsidy Rate for Benneydale Sewerage	10	10	10	10	10	10	10
Stormwater (Urban)	183	183					
Stormwater (Rural)			24	24	24	24	72
Water Supply	453	453	1,400	912	1,400		
Sewerage	662	238	1,000	1,000			
Te Kuiti Trade Waste	15	15	15	15	15	15	15
Solid Waste							
Landfill Management - District	168	168	168	168	168	168	504
Collection and Recycling	86	86		87	320		
Total Rates	**2,856**	**2,719**	**3,428**	**3,325**	**3,306**	**11,909**	**11,632**
Change ($)	**186**	**124**	**188**	**394**	**218**	**1,310**	**1,071**
Change (%)	**6.96%**	**4.92%**	**5.82%**	**13.44%**	**7.08%**	**12.36%**	**10.14%**

3.13 Accounting Policies

3.13.1 Statement of Responsibility

The Exceptions Annual Plan 2011/12 was adopted by Council on 28 June 2011.

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 FRS 42 Prospective Financial Statements.

3.13.2 Statement of Compliance

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

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

3.13.3 Statement of Accounting Policies

Reporting Entity

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

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

Basis of Preparation

The prospective financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These prospective financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities. They are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000). The functional currency of the Council is New Zealand dollars.

Subsidiary

As a result of the continuing poor performance of Inframax Construction Limited, the fact it is in breach of its bank covenants, its reliance on its lender for continued financial support and given that it is unlikely that the subsidiary will be in a position to provide a return on Council's investment in the immediate future, the Council decided to write-down the value of its investment in Inframax Construction Limited to nil as at 30 June 2010.

The Company's financial performance will continue to be monitored and the future value of Council's Investment in the Company will be assessed accordingly.

Consolidation

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

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

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

Measurement Base

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

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Council and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

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

Rates

Rates are recognised as revenue when rates are levied.

Levies and Charges

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

Other

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

Government Grants

Government grants and subsidies are recognised at their fair value when there is reasonable assurance that the conditions associated with the grant approval have been fulfilled. Government grants are received from Land Transport New Zealand, which subsidises part of the costs of maintaining local roads. In addition to this grants are also received from NZ Defence Force for maintaining RSA Cemetery and from the Ministry of Health for construction of sewerage and/or water projects.

Interest

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

Rental Revenue

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

Construction Contracts

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

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

Expected losses are recognised immediately as an expense in the profit or loss.

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

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

Expenditure

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

Grant Expenditure

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

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred. The Council has chosen to defer the application of NZ IAS 23 (revised 2007).

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

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

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

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

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

The amount of deferred tax provided is based on the tax rates which are expected to apply in the period the liability is settled or asset realised using tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Council intends to settle its current tax assets and liabilities on a net basis.

Cash and Cash Equivalents

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

Inventories

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

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

Financial Assets

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

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

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:

1. Financial Assets at Fair Value Through Profit or Loss

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

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

Derivative financial instrument assets are included in this class.

2. Loans and Receivables

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

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or de-recognised are recognised in the profit or loss. Loans and receivables are classified as "trade and other receivables" in the Balance Sheet. Loans made by the Council at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the profit or loss.

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

3. *Held to Maturity Investments*

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

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

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

4. *Available for Sale*

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

This category encompasses:

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

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

Gains and losses arising from changes in fair value are recognised in other comprehensive income 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 profit and loss. 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 profit and loss (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 profit or loss.

Derivative Financial Instruments and hedge accounting

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 and group designates certain derivatives as either:
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedge).

The Council and group 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 and group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged 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 if the remaining maturity of the hedged item is less than 12 months.

The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

Fair value hedge

The gain or loss from re-measuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the surplus or deficit. Fair value hedge accounting is only applied for hedging fixed interest risk on borrowings.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the surplus or deficit over the period to maturity.

Council does not hold any derivative financial assets that are designed as fair value hedges.

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 income, 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 income are reclassified 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 income 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.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognised in other comprehensive income will be included in the initial cost or carrying amount of the asset or liability.

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 income 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 income from the period when the hedge was effective is reclassified from equity to the surplus or deficit.

Payables

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

Borrowings

All loans and borrowings are initially recognised at their fair value net of transaction costs.
After initial recognition, all borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Good and Service Tax (GST)

All items in the profit or loss and Balance Sheet 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 in accordance with NZ IAS 7.

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

Commitments and contingencies are disclosed exclusive of GST.

Provisions

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

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

Financial Guarantee Contracts

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.

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.

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 Council anticipates it will be used by staff to cover those future absences.

Long-Term Benefits

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.

Finance Leases

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

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

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

Operating leases

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

Property, Plant and Equipment

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

Operational Assets

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

Infrastructural Assets

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

Restricted Assets

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

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

Additions

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

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

Disposals

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

Subsequent Costs

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

Depreciation

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

Operational Assets

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

Buildings	40-100 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
Wharf and Jetty Structures	40-100 years
Park Assets and Structures	5-30 years

Infrastructural Assets

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

Roads

Top surface	2-20 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	60-100 years
Pump station, reservoirs	25-100 years

Sewerage Reticulation

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

Stormwater Systems

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

Refuse Systems

Retaining walls	70-90 years
Drainage	70-75 years
Signs	9 years
Kerb and channelling	60-75 years
Truck wash and weighbridge	28 years
Transfer Stations	10-50 years

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

Restricted Assets

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

Buildings	40-100 years

Capital Work in Progress

Capital work in progress is not depreciated.

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

Revaluation

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

Revaluation of Operational Assets

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 1 July 2009. Darroch Valuations are members of the Property Institute of New Zealand and have the appropriate qualifications and recent experience in the valuation of properties within the Waitomo District.

The values of the assets have been considered on a Fair Value basis in accordance with NZIAS 16 under a highest and best use scenario.

The valuation was prepared with reference to the Property Institute of New Zealand Professional Practice Standard 2006, and in particular International Valuation Application 1 and New Zealand Valuation Guidance Note 1 (effective from 1 March 2007), and Valuation Guidance for Property, Plant and Equipment.
Land is valued on a fair value basis determined from market based evidence and conditions that prevailed as at 1 July 2009.

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

The Total Value for the Waitomo District Council Operational Property Portfolio as at 1 July 2009 is reported at:

Improvements Value (1 July 2009)	Land Value (1 July 2009)	Site Improvements (1 July 2009)	Total Fair Value (1 July 2009)
$7,512,200	$11,164,300	$594,600	$19,271,100

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.

North Langley and Associates are specialist valuers of plant, machinery and equipment (including chattels and infrastructural assets) and have the appropriate qualifications and relevant experience in the valuation of these types of assets.

The valuation was computed in strict accordance with the guidance notes and background papers issued by the International Assets Valuation Standards Committee of which the NZ Institute of Valuers is a member.

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).

Subsequent additions are at cost less accumulated depreciation.

Revaluation of Infrastructural Assets

Roads

An independent valuation of the Council's roading infrastructure was performed as at 1 July 2009 by Messrs G.S. Boyle and Associates, independent registered engineers, to determine the depreciated replacement cost of those assets. Messrs G.S. Boyle and Associates are members of the Institute of Professional Engineers of New Zealand (MIPENZ) and have the appropriate qualifications and experience in the valuation of land transport infrastructural assets. The valuation, which conforms to New Zealand Equivalent to International Accounting Standard (NZ IAS) 16 'Property, Plant and Equipment' was determined using the optimised depreciated replacement costs (ODRC) method as described in the NZ Infrastructure Asset Valuation and Depreciation Guidelines – Version 2, 2006.

The total value of Council's roading infrastructure at 1 July 2009 (as determined using the ODRC valuation method) is reported at $208,639,753.

Sewerage, Water, Stormwater and Solid Waste

A valuation of the Council's water utilities (water, wastewater, stormwater) and solid waste infrastructure was carried out by Council's engineering staff as at 1 July 2009 to determine the depreciated replacement cost of those assets. The valuation prepared by Council's engineering staff was based on the 2006 valuation previously undertaken by Maunsell Limited, international consulting engineers, and was peer reviewed by Messrs G.S. Boyle and Associates, independent registered engineers, who have the appropriate qualifications and experience in valuing community infrastructure. The valuation, which conforms to New Zealand Equivalent to International Accounting Standard (NZ IAS) 16 'Property, Plant and Equipment' was determined using the optimised depreciated replacement costs (ODRC) method as described in the NZ Infrastructure Asset Valuation and Depreciation Guidelines – Version 2, 2006.

The total value of Council's water utilities and solid waste infrastructure as at 1 July 2009 is reported at:

Asset Class	Optimised Depreciated Replacement Cost @ 1 July 2009
Waste Water Network	$10,588,874
Water Supply Network	$10,973,749
Storm Water Network	$8,360,064
Solid Waste Assets	$2,219,913

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 1 July 2009.

Darroch Valuations are members of the Property Institute of New Zealand and have the appropriate qualifications and recent experience in the valuation of properties within the Waitomo District.

The value of the land has been considered on a Fair Market Value basis in accordance with NZIAS 16 and NZIAS 40 under a highest and best use scenario.

The valuation was prepared with reference to the Property Institute of New Zealand Professional Practice Standard 2006, and in particular International Valuation Application 1 and New Zealand Valuation Guidance Note 1 (effective from 1 March 2007), and Valuation Guidance for Property, Plant and Equipment.

The Total Value for the Waitomo District Council Operational Property Portfolio (Infrastructural Land) as at 1 July 2009 is reported at:

Land Value (1 July 2009)	Total Fair Value (1 July 2009)
$1,254,000	$1,254,000

Revaluation of Restricted Assets

Restricted assets cannot be disposed of because of legal or other restrictions and provide a benefit or service to the community. They are principally reserves vested under the Reserves Act. Darroch Valuations (independent Registered Valuers) valued restricted assets on 1 July 2009 at fair value based on market based evidence.

Accounting for Revaluations

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 income 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 profit or loss. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the profit or loss will be recognised first in the profit or loss up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Intangible Assets

Software

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

Easements

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

Amortisation

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

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

Computer software	2 to 5 years	20% to 50%

Forestry Assets

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

Gains or losses arising from a change in fair value is recognised in the profit or loss.

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 profit or loss.

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

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

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

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

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

Gains or losses arising from a change in the fair value of investment property are recognised in the profit or loss. An independent valuation of the Council's investment properties was performed by Darroch Valuations, independent registered valuers, to determine the fair market value of the properties at 30 June 2010.

Overhead Allocation

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

Impairment of Non-Financial Assets

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

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

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

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

Equity

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

- Retained earnings
- Other reserves
- Asset revaluation reserves

Reserves

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

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

Statement of Cash Flows

The Cash Flow Statement is prepared inclusive of GST. For the purpose of the Cash Flow Statement cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Council invests as part of its day-to-day cash management net of bank overdrafts.
Operating activities include cash received from all income sources of the Council and record the cash payments made for the supply of goods and services. Agency transactions are recognised as receipts and payments in the Statement of Cash Flows given that they flow through the Council's main bank account.

Investing activities are those activities relating to the acquisition and disposal of non-current investments. Financing activities comprise activities that change the equity and debt capital structure of the Council.

Budget Figures

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

Critical Accounting Estimates and Judgements

In preparing these prospective financial statements the Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Landfill Aftercare Provision

Note 16 of the Council's Annual Report discloses an analysis of the exposure of 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 Council performing a combination of physical inspections and condition modelling assessments of underground assets.

- Estimating any obsolescence or surplus capacity of an asset; and

- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over or under estimating the annual deprecation charge recognised as an expense in the profit or loss. 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 profit or loss, and carrying amount of the asset in the Balance Sheet. The Council minimises the risk of this estimation uncertainty by:

- Physical inspection of assets.
- Asset replacement programs.
- Review of second hand market prices for similar assets; and
- Analysis of prior asset sales.

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

Valuation of Investment in Inframax Construction Ltd

As a result of the continuing poor performance of Inframax Construction Limited, the fact it is in breach of its bank covenants, its reliance on its lender for continued financial support and given that it is unlikely that the subsidiary will be in a position to provide a return on Council's investment in the immediate future, the Council decided to write-down the value of its investment in Inframax Construction Limited to nil as at 30 June 2010.

The Company's financial performance will continue to be monitored and the future value of Council's Investment in the Company will be assessed accordingly.

Deferred Tax Asset

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.

Change in Accounting Policy

The method of charging overhead costs to significant activities has changed. The change in policy provides a more equitable and transparent method of allocation as it is based on a careful estimate of consumption of overhead costs by each output activity. Prior year's budget figures have been restated using the new overhead allocation model. The effect of this change impacts individual cost of service statements where some output activities will receive more overhead costs and some output activities will receive less. The change in policy does not impact on the balance sheet, income statement or cash flow statement.

Statement of Service Performance

Service Performance Objective	Service Deliverable	Key Performance Indicator and Target
To manage Council's borrowing in accordance with the Liability Management Policy	Minimise interest rate exposure	Percentage of debt with floating interest rate. Target = <60%
	Minimise liquidity risk	Percentage of total debt refinanced in any financial year. Target = <35%
		Access to committed lines. Target= <$3m
	Maintain level of borrowing	Total interest expense to total revenue. Target <40%
		Total borrowings to total equity. Target= <30%
		Total borrowings to total assets. Target <25%