

# **Finances**

The Financial Statements on pages 27 to 31 are to be read in conjunction with the Accounting Policies and Notes to the Financial Statements on pages 32 to 71.

# Income Statement

## For the Year Ended 30 June 2008

The Income Statement details income and expenditure relating to all activities of the Council. The supporting operating statements for each significant activity provide further details as to the costs and revenues of each activity.

|                                 | Notes | Parent        |                 |                       | Consolidated    |                       |
|---------------------------------|-------|---------------|-----------------|-----------------------|-----------------|-----------------------|
|                                 |       | Plan<br>\$000 | Actual<br>\$000 | Last<br>Year<br>\$000 | Actual<br>\$000 | Last<br>Year<br>\$000 |
| <b>Income</b>                   |       |               |                 |                       |                 |                       |
| Significant Activities          | 1     | 19,347        | 19,352          | 20,641                | 19,352          | 20,678                |
| Rates Revenue                   | 2     | 14,485        | 13,556          | 12,499                | 13,556          | 12,499                |
| Other Revenue                   | 3     | 568           | 865             | 722                   | 865             | 722                   |
| Unrealised Fair Value           | 4     | 50            | (64)            | 309                   | (64)            | 309                   |
| Total Income                    |       | 34,450        | 33,709          | 34,171                | 33,709          | 34,208                |
| <b>Expenditure</b>              |       |               |                 |                       |                 |                       |
| Depreciation                    | 5(d)  | 10,720        | 10,905          | 9,790                 | 10,905          | 9,790                 |
| Employee Benefit Expenses       | 1     | 2,880         | 2,831           | 2,548                 | 2,831           | 2,572                 |
| Finance Costs                   | 1     | 1,240         | 1,376           | 806                   | 1,376           | 806                   |
| Other Costs                     |       | 17,425        | 17,462          | 17,765                | 17,462          | 17,785                |
| Total Expenditure               |       | 32,265        | 32,574          | 30,909                | 32,574          | 30,953                |
| <b>Net Surplus for the year</b> |       | <u>2,185</u>  | <u>1,135</u>    | <u>3,262</u>          | <u>1,135</u>    | <u>3,255</u>          |

### Explanations of Major Variances against Plan

**Revenue from Rates** - The major reason for the unfavourable variance was a provision made in the 2006/16 *Kaipara's Future - Working Together* Long Term Council Community Plan for depreciation impacts on rating levels estimated to arise out of the triennial revaluation of infrastructure. The depreciation impacts did not eventuate in this financial year.

**Expenditure** - Variance is of a minor nature only.

The Financial Statements are to be read in conjunction with the Accounting Policies and Notes to the Financial Statements on pages 32 to 71.

# Statement of Changes in Public Equity

## For the Year Ended 30 June 2008

The Statement of Changes in Public Equity explains the changes that have taken place in the ratepayers' equity over the year under review.

|   | Notes | Parent         |                 |                       | Consolidated    |                       |
|---|-------|----------------|-----------------|-----------------------|-----------------|-----------------------|
|   |       | Plan<br>\$000  | Actual<br>\$000 | Last<br>Year<br>\$000 | Actual<br>\$000 | Last<br>Year<br>\$000 |
| Public Equity as at 1 July                          |       | 291,221        | 294,746         | 291,484               | 294,746         | 291,512               |
| Net Surplus for the year                            |       | 2,185          | 1,135           | 3,262                 | 1,135           | 3,255                 |
| Increment from revaluation of infrastructure assets |       | 27,179         | 111,581         |                       | 111,581         |                       |
| Subsidiary Assets transferred to Parent             |       | -              |                 | -                     |                 | (21)                  |
| Total Recognised Revenue and Expenses               |       | 29,364         | 112,716         | 3,262                 | 112,716         | 3,234                 |
| Public Equity as at 30 June                         | 12    | <u>320,585</u> | <u>407,462</u>  | <u>294,746</u>        | <u>407,462</u>  | <u>294,746</u>        |

The Financial Statements are to be read in conjunction with the Accounting Policies and Notes to the Financial Statements on pages 32 to 71.

# Balance Sheet

As at 30 June 2008

The Balance Sheet outlines the resources of the Council and its liabilities. The difference between the assets and liabilities is the ratepayers' equity.

|                                      | Notes | Parent         |                 |                       | Consolidated    |                       |
|--------------------------------------|-------|----------------|-----------------|-----------------------|-----------------|-----------------------|
|                                      |       | Plan<br>\$000  | Actual<br>\$000 | Last<br>Year<br>\$000 | Actual<br>\$000 | Last<br>Year<br>\$000 |
| <b>Equity</b>                        |       |                |                 |                       |                 |                       |
| Accumulated Funds                    | 12    | 285,001        | 285,180         | 284,235               | 285,180         | 284,235               |
| Restricted Reserves                  | 12    | 4,636          | 5,466           | 5,327                 | 5,466           | 5,327                 |
| Council Created Reserves             | 12    | 3,719          | 5,235           | 5,184                 | 5,235           | 5,184                 |
| Asset Revaluation Reserves           | 12    | 27,229         | 111,581         | -                     | 111,581         | -                     |
|                                      |       | <u>320,585</u> | <u>407,462</u>  | <u>294,746</u>        | <u>407,462</u>  | <u>294,746</u>        |
| <b>Current Assets</b>                |       |                |                 |                       |                 |                       |
| Cash and Cash Equivalents            | 17    | 5,610          | 9,317           | 9,659                 | 9,317           | 9,659                 |
| Other Financial Assets               | 10    | -              | 14              | 14                    | 14              | 14                    |
| Trade and other Receivables          | 11    | 3,103          | 7,338           | 2,956                 | 7,338           | 2,956                 |
| Accrued Revenue                      | 11    | 1,905          | 3,103           | 2,586                 | 3,103           | 2,586                 |
|                                      |       | <u>10,618</u>  | <u>19,772</u>   | <u>15,215</u>         | <u>19,772</u>   | <u>15,215</u>         |
| <b>Non-Current Assets</b>            |       |                |                 |                       |                 |                       |
| Other Financial Assets               | 10    | 2,241          | 2,898           | 2,279                 | 2,898           | 2,279                 |
| Property, Plant & Equipment          | 7     | 330,506        | 418,998         | 302,694               | 418,998         | 302,694               |
| Forestry Assets                      | 8     | 1,702          | 1,017           | 1,506                 | 1,017           | 1,506                 |
|                                      |       | <u>334,449</u> | <u>422,913</u>  | <u>306,479</u>        | <u>422,913</u>  | <u>306,479</u>        |
| <b>Total Assets</b>                  |       | <u>345,067</u> | <u>442,685</u>  | <u>321,694</u>        | <u>442,685</u>  | <u>321,694</u>        |
| <b>Current Liabilities</b>           |       |                |                 |                       |                 |                       |
| Trade and other Payables             | 14    | 5,368          | 12,695          | 8,069                 | 12,695          | 8,069                 |
| Employee Benefit Liabilities         | 15    | 402            | 434             | 357                   | 434             | 357                   |
| Borrowings – Current Portion         | 13    | -              | -               | 1                     | -               | 1                     |
|                                      | 14    | <u>5,770</u>   | <u>13,129</u>   | <u>8,427</u>          | <u>13,129</u>   | <u>8,427</u>          |
| <b>Non Current Liabilities</b>       |       |                |                 |                       |                 |                       |
| Borrowings – Term Portion            | 13    | 18,288         | 21,672          | 18,106                | 21,672          | 18,106                |
| Provisions                           | 16    | 424            | 422             | 415                   | 422             | 415                   |
| <b>Total Non-Current Liabilities</b> |       | <u>18,712</u>  | <u>22,094</u>   | <u>18,521</u>         | <u>22,094</u>   | <u>18,521</u>         |
| <b>Total Liabilities</b>             |       | <u>24,482</u>  | <u>35,223</u>   | <u>26,948</u>         | <u>35,223</u>   | <u>26,948</u>         |
| <b>Net Assets</b>                    |       | <u>320,585</u> | <u>407,462</u>  | <u>294,746</u>        | <u>407,462</u>  | <u>294,746</u>        |

## Explanations for Major Variances against Plan

- **Equity** - The principal contributor was the above-budget increment from the triennial revaluation of infrastructure.
- **Current Assets** - Above-budget levels of cash deposits and retentions, accounted for the favourable cash and bank variance, and a \$3 million billing to the Ministry of Health for partial drawdown on the capital subsidy made available for the EcoCare wastewater scheme at Mangawhai was the principal contributor to the receivables variance
- **Property, Plant and Equipment** - Refer comments under Equity, above.
- **Current Liabilities** - Increases in deposits and retentions held, in respect of resource consenting and infrastructural works, made a large contribution to this variance, but the principal reason was to Income in Advance, being the \$3 million EcoCare subsidy.

The Financial Statements are to be read in conjunction with the Accounting Policies and Notes to the Financial Statements on pages 32 to 71.

# Statement of Cash Flows

## For the Year Ended 30 June 2008

The Cash Flow Statement summarises the cash movements in and out of the Council through the year. It takes no account of monies owed or owing but not paid, and therefore differs from the Income Statement.

|   | Notes | Parent          |                 |                       | Consolidated    |                       |
|---|-------|-----------------|-----------------|-----------------------|-----------------|-----------------------|
|   |       | Plan<br>\$000   | Actual<br>\$000 | Last<br>Year<br>\$000 | Actual<br>\$000 | Last<br>Year<br>\$000 |
| <b>Operating Activities</b>                                 |       |                 |                 |                       |                 |                       |
| <i>Cash was provided from:</i>                              |       |                 |                 |                       |                 |                       |
| Rates   |       | 13,450          | 13,301          | 12,352                | 13,301          | 12,352                |
| Water Rates and Charges                                     |       | 1,448           | 1,191           | 1,406                 | 1,191           | 1,406                 |
| Grants and Subsidies  |       | 13,507          | 12,579          | 11,296                | 12,579          | 11,296                |
| Interest Received   |       | 297             | 369             | 258                   | 369             | 265                   |
| Other Revenue   |       | 612             | 4,040           | 8,002                 | 4,040           | 8,032                 |
|   |       | <u>29,314</u>   | <u>31,480</u>   | <u>33,314</u>         | <u>31,480</u>   | <u>33,351</u>         |
| <i>Cash was applied to:</i>                                 |       |                 |                 |                       |                 |                       |
| Suppliers and Employees                                     |       | (15,662)        | (18,682)        | (18,655)              | (18,682)        | (18,741)              |
| Taxes (including the net effect of GST)                     |       | 74              | (61)            | 97                    | (61)            | 99                    |
| Interest Expense  |       | (1,860)         | (804)           | (795)                 | (804)           | (795)                 |
|   |       | <u>(17,448)</u> | <u>(19,547)</u> | <u>(19,353)</u>       | <u>(19,547)</u> | <u>(19,437)</u>       |
| <b>Net Cash from Operating Activities</b>                   | 9     | <u>11,866</u>   | <u>11,933</u>   | <u>13,961</u>         | <u>11,933</u>   | <u>13,914</u>         |
| <b>Investing Activities</b>                                 |       |                 |                 |                       |                 |                       |
| <i>Cash was provided from:</i>                              |       |                 |                 |                       |                 |                       |
| Sale of Property, Plant and Equipment                       |       | -               | 238             | 101                   | 238             | 101                   |
| Mortgage Repayments Received                                |       | -               | 10              | 14                    | 10              | 14                    |
|   |       | <u>-</u>        | <u>248</u>      | <u>115</u>            | <u>248</u>      | <u>115</u>            |
| <i>Cash was applied to:</i>                                 |       |                 |                 |                       |                 |                       |
| Property, Plant and Equipment Purchases                     |       | (16,770)        | (15,076)        | (17,527)              | (15,076)        | (17,527)              |
| Sinking Fund Instalments                                    |       | (345)           | (447)           | (514)                 | (447)           | (514)                 |
|   |       | <u>(17,115)</u> | <u>(15,523)</u> | <u>(18,041)</u>       | <u>(15,523)</u> | <u>(18,041)</u>       |
| <b>Net Cash (To) Investing Activities</b>                   |       | <u>(17,115)</u> | <u>(15,275)</u> | <u>(17,926)</u>       | <u>(15,275)</u> | <u>(17,926)</u>       |
| <b>Financing Activities</b>                                 |       |                 |                 |                       |                 |                       |
| Loans Raised  |       | 5,657           | 3,001           | 7,234                 | 3,001           | 7,234                 |
| Loan Repayments   |       | -               | (1)             | (3)                   | (1)             | (3)                   |
| <b>Net Cash From Financing Activities</b>                   |       | <u>5,657</u>    | <u>3,000</u>    | <u>7,231</u>          | <u>3,000</u>    | <u>7,231</u>          |
| <b>Net Increase/(Decrease) in Cash and Cash Equivalents</b> |       | <u>408</u>      | <u>(342)</u>    | <u>3,266</u>          | <u>(342)</u>    | <u>3,219</u>          |
| <b>Cash and Cash Equivalents at 1 July</b>                  |       | <u>5,202</u>    | <u>9,659</u>    | <u>6,393</u>          | <u>9,659</u>    | <u>6,440</u>          |
| <b>Cash and Cash Equivalents at 30 June</b>                 |       | <u>5,610</u>    | <u>9,317</u>    | <u>9,659</u>          | <u>9,317</u>    | <u>9,659</u>          |

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The Financial Statements are to be read in conjunction with the Accounting Policies and Notes to the Financial Statements on pages 32 to 71.

# Statement of Commitments

As At 30 June 2008

|   | Parent               |                      | Consolidated         |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | This Year<br>\$000   | Last Year<br>\$000   | This Year<br>\$000   | Last Year<br>\$000   |
| <b>Capital commitments Approved</b>   | 4,077                | 4,020                | 4,077                | 4,020                |
| <b>Non-cancellable contracts</b>  |                      |                      |                      |                      |
| Council has entered into non-cancellable contracts for routine roading maintenance and operational services (Wastewater, Water, Parks and Reserves, Stormwater etc.) as well as a number of maintenance contracts nearing completion as at 30 June 2008. Details of these commitments are as follows: |                      |                      |                      |                      |
| Not Later than One Year   | 10,746               | 9,054                | 10,746               | 9,054                |
| Later than One but Not Later than Two Years   | 9,722                | 8,915                | 9,722                | 8,915                |
| Later than Two but Not Later than Five Years  | 987                  | 8,030                | 987                  | 8,030                |
| More than Five Years  | -                    | -                    | -                    | -                    |
|   | <u>21,455</u>        | <u>25,999</u>        | <u>21,455</u>        | <u>25,999</u>        |
| <b>Non-cancellable operating leases as lessee</b>   |                      |                      |                      |                      |
| Council leases office equipment in the normal course of its business. Payment detail are as follows:  |                      |                      |                      |                      |
| Not Later than One Year   | 136                  | 136                  | 136                  | 136                  |
| Later than One but Not Later than Two Years   | 136                  | 134                  | 136                  | 134                  |
| Later than Two but Not Later than Five Years  | 147                  | 281                  | 147                  | 281                  |
| More than Five Years  | -                    | -                    | -                    | -                    |
|   | <u>419</u>           | <u>551</u>           | <u>419</u>           | <u>551</u>           |
| <b>Grand Total</b>  | <u><u>25,951</u></u> | <u><u>30,570</u></u> | <u><u>25,951</u></u> | <u><u>30,570</u></u> |

The Financial Statements are to be read in conjunction with the Accounting Policies and Notes to the Financial Statements on pages 32 to 71.

# Statement of Accounting Policies

## 1 Statement of Accounting Policies for year ended 30 June 2008

### Reporting Entity

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

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

The financial statements of Kaipara District Council are for the year ended 30 June 2008. The financial statements were authorised for issue by Council on 22 October 2008. The owners of Kaipara District Council have no powers to amend the financial statements after issue.

### Subsidiary

Kaipara District Council consolidated the operating results of its sole subsidiary, Kaipara District Economic Development Trust, for the period of the 2006/07 year which was prior to the disestablishment of the Trust. Kaipara District Council did not have a subsidiary in the 2007/08 financial year.

### Basis of Preparation

#### *Statement of Compliance*

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

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

#### *Measurement Base*

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, biological assets, other financial assets, and loans.

#### *Functional and Presentation Currency*

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

# Statement of Accounting Policies

## **Standards, amendments and interpretations issues that are not yet effective and have not been early adopted.**

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Council include:

- NZ IAS 1 *Presentation of Financial Statements (revised 2007)* replaces NZ IAS 1 *Presentation of Financial Statements (issued 2004)* and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The revised standard gives Council the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Council intends to adopt this standard for the year ending 30 June 2010, and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.
- NZ IAS 23 *Borrowing Costs (revised 2007)* replaces NZ IAS 23 *Borrowing Costs (issued 2004)* and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a quality asset. The revised standard will also require borrowing costs to be considered when revaluing property, plant and equipment to fair value based on depreciated replacement cost. Any necessary adjustments to depreciated replacement cost carrying values will have flow on effects to depreciation expense. Council intends to adopt this standard for the year ending 30 June 2010 and has not yet quantified the potential impact of the new standard.
- NZ IFRS 3 *Business Combinations (revised 2008)* and the amended NZ IAS 27 *Consolidated and Separate Financial Statements* are effective for reporting periods beginning on or after 1 July 2009 and must be applied prospectively from that date. The main changes the revised NZ IFRS 3 and amended NZ IAS 27 will make to existing requirements or practice are:
  - Partial acquisitions - Non-controlling interests are measured either as their proportionate interest in the net identifiable assets (which is the original NZ IFRS 3 requirement) or at fair value.
  - Step acquisitions - The requirement to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.

# Statement of Accounting Policies

- Acquisition-related costs - Acquisition-related costs are generally recognised as expenses (rather than included in the cost of acquisition).
- Contingent consideration - Contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other NZ IFRSs, usually in profit or loss (rather than by adjusting the cost of acquisition).

Council will adopt the revised NZ IFRS 3 and amended NZ IAS 27 for the year ended 30 June 2010, which will impact on business combinations that occur on or after 1 July 2009.

## Significant Accounting Policies

### Revenue

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

#### *Rates Revenue*

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable.

#### *Grants Revenue*

Kaipara District Council receives government grants from Land Transport New Zealand, which subsidises part of Kaipara District Council's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

#### *Other Revenue*

Water billing revenue is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Sales of goods are recognised when a product is sold to the customer. Sales are all in cash. The recorded revenue is the gross amount of the sale.

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in Kaipara District Council are recognised as revenue when control over the asset is obtained.

Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission or fee on the transaction.

# Statement of Accounting Policies

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

## ***Development Contributions***

The revenue recognition point for development and financial contributions is at the later of the point when Kaipara District Council is ready to provide the service for which the contribution was levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation.

Development contributions are classified as part of "Income from Significant Activities".

## **Construction Contracts**

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to balance date as a percentage of 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 group's construction activities in general.

An expected loss on construction contracts is recognised immediately as an expense in the income statement.

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

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

## **Borrowing Costs**

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

## **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 Kaipara District 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 Kaipara District Council's decision.

# Statement of Accounting Policies

## Income Tax

Kaipara District Council is a Public Benefit Entity under Income Tax legislation, and is consequently exempt from Income Tax. Therefore no charge for income tax is provided for in the financial statements.

## 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.

## Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

## Trade and other Receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

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

A provision for impairment of receivables is established when there is objective evidence that Kaipara District 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.

## Financial Assets

Kaipara District 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 financial assets at fair value through equity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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

# Statement of Accounting Policies

Purchases and sales of investments are recognised on trade-date, the date on which Kaipara District Council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Kaipara District Council has transferred substantially all the risks and 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. Kaipara District Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The four categories of financial assets are:

- Financial assets at fair value through profit or loss.  
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.  
After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the income statement.  
Financial assets in this category include:  
Currently, Kaipara District Council does not hold any financial assets in this category.
- 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, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the income statement. Loans and receivables are classified as “trade and other receivables” in the balance sheet. Cash and cash equivalents are held at fair value.
- Held to maturity investments.  
Held to maturity investments are assets with fixed or determinable payments and fixed maturities that Kaipara District 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, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the income statement.

# Statement of Accounting Policies

Investments in this category include:

Sinking Funds

- Financial assets at fair value through equity.

Financial assets at fair value through equity 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 Kaipara District Council intends to hold long-term but which may be realised before maturity; and
- Shareholdings that Kaipara District Council holds for strategic purposes.

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

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

On derecognition the cumulative gain or loss previously recognised in equity is recognised in the income statement.

## Impairment of Financial Assets

At each balance sheet date Kaipara District Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the income statement. The impairment test is applied to loans and other receivables, and quoted and unquoted equity investments, as follows.

## Loans and Other Receivables

Impairment of a loan or a receivable is established when there is objective evidence that Kaipara District Council will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement. When the receivable is uncollectable, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (ie not past due). For term deposits, local authority stock, government stock and community loans, impairment losses are recognised directly against the instruments carrying amount.

Impairment of term deposits, local authority, government stock, and related party and community loans is established when there is objective evidence that the Council will not be able to collect amounts due to the original terms of the instrument. Significant financial difficulties of the issuer, probability the issuer will enter into bankruptcy, and default in payments are considered indicators that the instrument is impaired.

# Statement of Accounting Policies

## ***Quoted and Unquoted Equity Investments***

For equity investments classified as fair value through equity, a significant or prolonged decline in the fair value of the investment below its cost is considered an indicator of impairment. If such evidence exists the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement) is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement on equity investments are not reversed through the Income Statement.

## **Accounting for Derivative Financial Instruments and Hedging Activities**

Kaipara District Council does not use derivative financial instruments.

## **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. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

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

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

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

## **Property, Plant and Equipment**

Property, plant and equipment consist of:

### ***Operational Assets***

These include land, buildings, plant and equipment, and motor vehicles.

### ***Restricted assets***

Restricted assets are elderly persons housing and parks and reserves owned by Kaipara District Council which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

### ***Infrastructure assets***

Infrastructure assets are the fixed utility systems owned by Kaipara District Council. Each asset class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations.

# Statement of Accounting Policies

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 Kaipara District 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 such as a vested asset, it is recognised at fair value as at the date of acquisition.

## ***Disposals***

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the income statement. When revalued assets are sold, the amounts included in 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 Kaipara District Council and the cost of the item can be measured reliably.

## **Assets Under Construction**

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated. The current carrying amount of items under construction is disclosed in Note 7.

## **Revaluation**

Those asset classes 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.

# Statement of Accounting Policies

## Depreciation

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

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

|                                     | Expected<br>Life Years | Depreciation<br>Straight Line<br>% |
|-------------------------------------|------------------------|------------------------------------|
| Roading                             |                        |                                    |
| Top Surface (seal)                  | 9-8                    | 10.2                               |
| Pavement (basecourse)               |                        |                                    |
| - Urban Sealed                      | 35                     | 2.9                                |
| - Rural Sealed                      | 35                     | 2.9                                |
| - Unsealed                          | 6                      | 16.7                               |
| Foundation and Unsealed Subgrade    | n/a <sup>4</sup>       | -                                  |
| Culverts                            | 50                     | 2.0                                |
| Kerb and Channel                    | 50                     | 2.0                                |
| Bridges                             | 100                    | 1.0                                |
| Signs                               | 14                     | 7.1                                |
| Lights                              | 26                     | 3.8                                |
| Footpaths                           | 50                     | 2.0                                |
| Water                               | 60                     | 1.7                                |
| Wastewater                          | 60                     | 1.7                                |
| Stormwater                          | 60                     | 1.7                                |
| Landfills and Transfer Stations     | 33.3                   | 3.0                                |
| Halls                               | 50                     | 2                                  |
| Elderly Persons Housing             | 50                     | 2                                  |
| Swimming Baths                      | 50                     | 2                                  |
| Plant, Equipment and Motor Vehicles | 5 - 10                 | 10 - 20                            |
| Buildings                           | 50                     | 2                                  |
| Building Contents                   | 10                     | 10                                 |
| Other Plant                         | 5                      | 20                                 |
| Computer and Office Equipment       | 5                      | 20                                 |

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

<sup>4</sup> Not depreciated

# Statement of Accounting Policies

## ***Infrastructural asset classes: roads, land under roads, water reticulation, sewerage reticulation and stormwater systems***

At fair value determined on a depreciated replacement cost basis by an independent valuer. At balance date Kaipara District Council assesses the carrying values of its infrastructural assets to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued. The most recent valuation was performed by Duffill Watts Valuations and the valuation is effective as at 1 July 2007. All infrastructural asset classes carried at valuation were valued.

## ***Accounting for revaluations***

Kaipara District Council accounts for revaluations of 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 income statement. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the income statement will be recognised first in the income statement up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

## ***Intangible Assets***

### **Software Acquisition and Development**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by Kaipara District Council, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

### **Easements**

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

### **Amortisation**

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

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

|                   |         |     |
|-------------------|---------|-----|
| Computer software | 3 years | 33% |
|-------------------|---------|-----|

# Statement of Accounting Policies

## Forestry assets

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. 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 on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the income statement.

The costs to maintain the forestry assets are included in the income statement.

## 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 income statement.

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

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

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

## Creditors and Other Payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

# Statement of Accounting Policies

## Employee Benefits

### *Short-term benefits*

Employee benefits that Kaipara District Council expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date and sick leave.

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

## Superannuation Schemes

### *Defined contribution schemes*

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

## Provisions

Kaipara District 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 initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arms length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received a provision is recognised based on the probability Council will be required to reimburse a holder for a loss incurred discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting at fair value, is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation, however if Council assessed that it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

# Statement of Accounting Policies

## **Borrowings**

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Council finances new infrastructure over a twenty-year timeframe, but in five-yearly bites. At five years, the original loan is repaid in full, and an identical sum re-borrowed, at a new rate of interest. Loans are all long-term in nature, and are only re-classified as current in year twenty.

## **Equity**

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

- Retained earnings
- Restricted reserves
- Council created reserves
- Asset revaluation reserves

## **Restricted and Council Created 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 Kaipara District Council.

Restricted reserves are those subject to specific conditions accepted as binding by Kaipara District Council and which may not be revised by Kaipara District 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. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

## **Good and Service Tax (GST)**

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 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.

# Statement of Accounting Policies

## **Budget Figures**

The budget figures are those approved by the Council at the beginning of the year in the annual plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Kaipara District Council for the preparation of the financial statements.

## **Cost Allocation**

Kaipara District Council has derived the cost of service for each significant activity of Kaipara District Council using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

## **Critical Accounting Estimates and Assumptions**

In preparing these financial statements Kaipara District 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.

## **Closure and Post-Closure Provisions**

Landfill closure and post-closure provisions were first established by Kaipara District Council in 2002 as a result of the introduction of New Zealand Financial Reporting Standard Number 15: Provisions, Contingent Liabilities and Contingent Assets (FRS-15). At the time of adoption, in accordance with FRS-15 and Generally Accepted Accounting Principles (GAAP) and with reference to additional authoritative support from other landfill operators in New Zealand, costs, deferred closure and post closure costs and the resulting provisions were assessed and valued as at the date of adoption (June 2002) and recognised in the accounts on that basis.

Provision has been made for the future costs of closing the Dargaville landfill at the end of its economic or consented life and for the associated post-closure costs, being the aftercare of the landfill for the prescribed period. Estimated costs, adjusted for inflation, have been built up on an item by item basis. The provision held, at each balance date, represents the net present value of the estimated future costs. A detailed reassessment and the anticipated remaining lives of the landfills is performed regularly. The impact of changes to the provision arising from the reassessment of the life of the landfill and estimated future costs are capitalised to deferred closure and post-closure costs within property, plant and equipment in the balance sheet. The annual change in the net present value of the provision due to the passage of time is recorded as the time value adjustment of provisions in the income statement.

# Statement of Accounting Policies

Financial reporting standards require this to be disclosed as an interest cost in the income statement.

The transition to NZ IFRS did not require any adjustment to be made to the provision, including the valuation date of June 2002 used on initial recognition of the provisions as discussed above.

## 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 Kaipara District Council could be over or under estimating the annual depreciation charge recognised as an expense in the income statement. To minimise this risk Kaipara District Council's infrastructural asset useful lives have been determined with reference to the New Zealand 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 Kaipara District Council's asset management planning activities, which gives Kaipara District Council further assurance over its useful life estimates.

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

## Critical Judgements in applying Kaipara District Council's Accounting Policies

Management has exercised the following critical judgements in applying the Kaipara District Council's accounting policies for the period ended 30 June 2008:

### Classification of property

Kaipara District Council owns a number of properties, which are maintained primarily to provide housing to pensioners.

The receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of the Kaipara District Council's social development policy. These properties are accounted for as property, plant and equipment.

# Notes to the Financial Statements

## 1 Operating Result for the Year

- (a) In describing the group operating result for the year, all revenue and expenditure directly related to a significant activity has been included in the statement of operating costs and revenue for that activity. All other income and expenditure has been included separately in the Income Statement.
- (b) Internal recoveries within the group include rentals, interest, the allocation of the Corporate Services activity, the allocation of development management within the Development Management activity, and the allocation of asset management costs, each on the basis of usage of those resources and services.

### Summary of Cost of Services

| Income                 | Parent         |                 |                       | Consolidated    |                       |
|------------------------|----------------|-----------------|-----------------------|-----------------|-----------------------|
|                        | Plan<br>\$000  | Actual<br>\$000 | Last<br>Year<br>\$000 | Actual<br>\$000 | Last<br>Year<br>\$000 |
| Economic Development   | -              | 42              | 31                    | 42              | 31                    |
| Social Development     | 313            | 237             | 136                   | 237             | 136                   |
| Roading (see below)    | 15,889         | 12,980          | 12,258                | 12,980          | 12,258                |
| Wastewater             | 34             | 46              | 21                    | 46              | 21                    |
| Urban Stormwater       | 2              | 47              | 30                    | 47              | 30                    |
| Land Drainage          | 3              | 15              | 10                    | 15              | 10                    |
| Water Supply           | 1,608          | 1,475           | 1,384                 | 1,475           | 1,384                 |
| Refuse                 | 155            | 32              | 140                   | 32              | 140                   |
| Community Spaces       | 511            | 617             | 644                   | 617             | 644                   |
| Policy and Planning    | -              | 3               | 2                     | 3               | 2                     |
| Development Management | 2,169          | 2,495           | 2,306                 | 2,495           | 2,306                 |
| Democracy              | -              | -               | -                     | -               | -                     |
| Forestry               | -              | 1,054           | 818                   | 1,054           | 818                   |
| Property               | 300            | 1,539           | 3,964                 | 1,539           | 3,964                 |
| Corporate Services     | 3,093          | 3,196           | 2,890                 | 3,196           | 2,890                 |
| Miscellaneous          | -              | -               | -                     | -               | 37                    |
|                        | <u>24,077</u>  | <u>23,778</u>   | <u>24,634</u>         | <u>23,778</u>   | <u>24,671</u>         |
| Less Internal Income   | <u>(4,730)</u> | <u>(4,426)</u>  | <u>(3,993)</u>        | <u>(4,426)</u>  | <u>(3,993)</u>        |
| Total External Income  | <u>19,347</u>  | <u>19,352</u>   | <u>20,641</u>         | <u>19,352</u>   | <u>20,678</u>         |

### Analysis of Roothing Income

|                             |               |               |               |               |               |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Land Transport NZ subsidies | 13,707        | 12,785        | 12,092        | 12,785        | 12,092        |
| Other                       | <u>2,182</u>  | <u>195</u>    | <u>166</u>    | <u>195</u>    | <u>166</u>    |
| Total                       | <u>15,889</u> | <u>12,980</u> | <u>12,258</u> | <u>12,980</u> | <u>12,258</u> |

There are no unfulfilled conditions pertaining to the Land Transport NZ Subsidies.

# Notes to the Financial Statements

Each significant activity is stated gross of internal costs and revenues, but excludes targeted rates (refer Note 2). In order to fairly reflect the external operations of the group in the Income Statement, the internal transactions are eliminated as shown below.

| Expenditure                                  | Parent         |                |                | Consolidated   |                |
|--|----------------|----------------|----------------|----------------|----------------|
|  | Plan           | Actual         | Last Year      | Actual         | Last Year      |
|  | \$000          | \$000          | \$000          | \$000          | \$000          |
| Economic Development                         | 200            | 256            | 239            | 256            | 239            |
| Social Development                           | 615            | 547            | 457            | 547            | 457            |
| Roading                                      | 21,166         | 18,575         | 18,336         | 18,575         | 18,336         |
| Wastewater                                   | 947            | 1,147          | 1,221          | 1,147          | 1,221          |
| Urban Stormwater                             | 564            | 540            | 449            | 540            | 449            |
| Land Drainage                                | 583            | 518            | 556            | 518            | 556            |
| Water Supply                                 | 1,615          | 1,843          | 1,430          | 1,843          | 1,430          |
| Refuse                                       | 825            | 760            | 628            | 760            | 628            |
| Community Spaces                             | 1,656          | 2,108          | 2,350          | 2,108          | 2,350          |
| Policy and Planning                          | 390            | 411            | 468            | 411            | 468            |
| Development Management                       | 2,879          | 3,493          | 3,104          | 3,493          | 3,104          |
| Democracy                                    | 1,004          | 1,111          | 1,013          | 1,111          | 1,013          |
| Forestry                                     | 137            | 1,352          | 817            | 1,352          | 817            |
| Property                                     | 486            | 713            | 741            | 713            | 741            |
| Corporate Services                           | 3,093          | 3,196          | 2,890          | 3,196          | 2,890          |
| Miscellaneous                                | 835            | 430            | 203            | 430            | 247            |
|  | <u>36,995</u>  | <u>37,000</u>  | <u>34,902</u>  | <u>37,000</u>  | <u>34,946</u>  |
| Less Internal Expenditure                    | <u>(4,730)</u> | <u>(4,426)</u> | <u>(3,993)</u> | <u>(4,426)</u> | <u>(3,993)</u> |
| Total External Expenditure                   | <u>32,265</u>  | <u>32,574</u>  | <u>30,909</u>  | <u>32,574</u>  | <u>30,953</u>  |
| <b>Analysis of Expenditure</b>               |                |                |                |                |                |
| Depreciation                                 | 10,720         | 10,905         | 9,790          | 10,905         | 9,790          |
| Employee Benefit Expenses (below)            | 2,880          | 2,831          | 2,548          | 2,831          | 2,572          |
| Finance Costs (below)                        | 1,240          | 1,376          | 806            | 1,376          | 806            |
| Other Expenses                               | 17,425         | 17,462         | 17,765         | 17,462         | 17,785         |
|  | <u>32,265</u>  | <u>32,574</u>  | <u>30,909</u>  | <u>32,574</u>  | <u>30,953</u>  |
| <b>Analysis of Employee Benefit Expenses</b> |                |                |                |                |                |
| Salaries and Wages                           | 2,830          | 2,754          | 2,495          | 2,754          | 2,519          |
| Increase in Annual Leave Provision           | 50             | 77             | 53             | 77             | 53             |
| Total  | <u>2,880</u>   | <u>2,831</u>   | <u>2,548</u>   | <u>2,831</u>   | <u>2,572</u>   |

# Notes to the Financial Statements

|                                    | Parent       |              |            | Consolidated |            |
|------------------------------------|--------------|--------------|------------|--------------|------------|
|                                    | Plan         | Actual       | Last Year  | Actual       | Last Year  |
|                                    | \$000        | \$000        | \$000      | \$000        | \$000      |
| <b>Analysis of Finance Costs</b>   |              |              |            |              |            |
| Interest on Trading Bank Loans     | 344          | 407          | 316        | 407          | 316        |
| Interest on Merchant Bank Loans    | 480          | 501          | 83         | 501          | 83         |
| Interest on Local Government Stock | 345          | 397          | 336        | 397          | 336        |
| Interest on Forestry and Other     | 71           | 71           | 71         | 71           | 71         |
| <b>Total</b>                       | <b>1,240</b> | <b>1,376</b> | <b>806</b> | <b>1,376</b> | <b>806</b> |

## 2 Rates Revenue

|   | Parent        |               |               | Consolidated  |               |
|---|---------------|---------------|---------------|---------------|---------------|
|   | Plan          | Actual        | Last Year     | Actual        | Last Year     |
|   | \$000         | \$000         | \$000         | \$000         | \$000         |
| General Rates                             | 11,030        | 10,997        | 10,229        | 10,997        | 10,229        |
| Targeted Rates Attributable to Activities |               |               |               |               |               |
| - Northland Regional Council              | 1,188         | 1,168         | 1,177         | 1,168         | 1,177         |
| - Water                                   | 85            | 85            | 82            | 85            | 82            |
| - Wastewater                              | 959           | 940           | 912           | 940           | 912           |
| - Stormwater                              | 668           | 636           | 576           | 636           | 576           |
| - Land Drainage                           | 573           | 544           | 476           | 544           | 476           |
| - Mangawhai Harbour Restoration           | 218           | 237           | 108           | 237           | 108           |
| - Dargaville Development                  | 91            | 90            | 90            | 90            | 90            |
| - Dargaville Town Hall                    | 26            | 27            | 26            | 27            | 26            |
| Depreciation Impacts                      |               |               |               |               |               |
| - Revaluation                             | 835           | -             | -             | -             | -             |
|   | <u>4,643</u>  | <u>3,727</u>  | <u>3,447</u>  | <u>3,727</u>  | <u>3,447</u>  |
| Total Rates Levied                        | 15,673        | 14,724        | 13,676        | 14,724        | 13,676        |
| Less Northland Regional Council           | (1,188)       | (1,168)       | (1,177)       | (1,168)       | (1,177)       |
| <b>Total Council Rates</b>                | <b>14,485</b> | <b>13,556</b> | <b>12,499</b> | <b>13,556</b> | <b>12,499</b> |

Annual rates of \$38,103 (2007: \$37,288) were paid by Council on behalf of the ratepayers. Those remissions were in respect of the rate liabilities of a number of community, sporting, and other non-profit making organisations within the District. The remissions complied with both the Local Government (Rating) Act 2002, and Council's own rates remission policies. There were no remissions made under Extreme Financial Hardship Remissions Policy. Council has no postponed rates.

Council complies with the Local Government (Rating) Act in deciding the rateable, or non-rateable status of each rating unit.

# Notes to the Financial Statements

## 3 Other Revenue

|                   | Parent     |            |            | Consolidated |            |
|-------------------|------------|------------|------------|--------------|------------|
|                   | Plan       | Actual     | Last Year  | Actual       | Last Year  |
|                   | \$000      | \$000      | \$000      | \$000        | \$000      |
| Petrol Tax        | 150        | 167        | 150        | 167          | 150        |
| Rates Penalty     | 230        | 331        | 297        | 331          | 297        |
| Investment Income | 183        | 361        | 270        | 361          | 270        |
| Sundry Income     | 5          | 6          | 5          | 6            | 5          |
|                   | <u>568</u> | <u>865</u> | <u>722</u> | <u>865</u>   | <u>722</u> |

| Investment Income                                  | Parent     |            |            | Consolidated |            |
|--|------------|------------|------------|--------------|------------|
|  | Plan       | Actual     | Last Year  | Actual       | Last Year  |
|  | \$000      | \$000      | \$000      | \$000        | \$000      |
| Interest - Call and Short Term Investment Accounts | 172        | 351        | 259        | 351          | 259        |
| Interest - Mortgages and Advances                  | 11         | 10         | 11         | 10           | 11         |
| Total Investment Income                            | <u>183</u> | <u>361</u> | <u>270</u> | <u>361</u>   | <u>270</u> |

## 4 Unrealised Fair Value

|                                | Parent    |             |            | Consolidated |            |
|--------------------------------|-----------|-------------|------------|--------------|------------|
|                                | Plan      | Actual      | Last Year  | Actual       | Last Year  |
|                                | \$000     | \$000       | \$000      | \$000        | \$000      |
| Revaluation of Forestry Assets | 50        | (66)        | 285        | (66)         | 285        |
| Revaluation of Shareholdings   | -         | 2           | 24         | 2            | 24         |
|                                | <u>50</u> | <u>(64)</u> | <u>309</u> | <u>(64)</u>  | <u>309</u> |

## 5 Statutory Disclosure

### (a) Remuneration of Chief Executive

The Chief Executive of the Kaipara District Council received a salary of \$165,784 (2006/07 \$162,577). In terms of his contract he also received the benefit of a motor vehicle, costing \$25,000 (2006/07: \$25,000).

### (b) Remuneration of other Senior Executives

The annual remuneration of the eight senior executives (excluding the Chief Executive), was \$654,000 (2006/07 \$489,000 for six executives).

## Notes to the Financial Statements

The analysis is as follows:

|                          | <b>This Year</b> | <b>Last Year</b> |
|--------------------------|------------------|------------------|
|                          | <b>\$</b>        | <b>\$</b>        |
| Salaries and Wages Paid  | 654,000          | 489,000          |
| Post-employment Benefits | -                | -                |
| <b>Total</b>             | <b>654,000</b>   | <b>489,000</b>   |

### (c) Remuneration of Elected Representatives

The annual earnings of the current Councillors are as follows:

|                    |                                 | <b>This Year</b> | <b>Last Year</b> |
|--------------------|---------------------------------|------------------|------------------|
|                    |                                 | <b>\$</b>        | <b>\$</b>        |
| Peter King QSM     | Mayor (2004/07)                 | 22,403           | 62,174           |
| Neil Tiller        | Mayor                           | 44,127           | -                |
| Richard Alspach    | Deputy Mayor                    | 31,374           | 30,754           |
| Brian Burnett      | Councillor                      | 21,750           | 19,026           |
| Brian McEwing      | Councillor                      | 21,750           | 19,026           |
| Julie Geange       | Councillor                      | 16,032           | -                |
| Bill Guest         | Councillor                      | 16,372           | -                |
| Wendy Salter       | Councillor                      | 5,724            | 19,026           |
| Tom Smith          | Councillor                      | 27,649           | 28,453           |
| Julia Sutherland   | Councillor                      | 21,750           | 19,026           |
| Graham Taylor      | Councillor/Judicial Chairperson | 25,350           | 25,664           |
| Ian Tiller         | Councillor                      | 5,724            | 19,026           |
| Neil Tiller        | Councillor                      | 5,724            | 19,655           |
| David Underwood    | Councillor                      | 10,297           | 28,461           |
| <b>Grand Total</b> |                                 | <b>276,026</b>   | <b>\$290,291</b> |

The actual earnings include meeting allowances for members of the Judicial Committee.

All remuneration figures quoted above include the value of any non-financial benefits.

## Notes to the Financial Statements

### (d) Other Expenditure

The following items of expenditure are included in the Income Statement, and are shown separately in compliance with Generally Accepted Accounting Practice.

|  | Parent             |                    | Consolidated       |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| <b>Audit Fees:</b>                                   |                    |                    |                    |                    |
| <b>Fees Paid to Principal Auditor -</b>              |                    |                    |                    |                    |
| - Annual Report                                      | 71                 | 68                 | 71                 | 71                 |
| - Other Services - NZ IFRS                           | -                  | 14                 | -                  | 14                 |
| <b>Depreciation Expense –</b>                        |                    |                    |                    |                    |
| - Roading and Footpaths                              | 9,077              | 8,291              | 9,077              | 8,291              |
| - Stormwater   | 156                | 118                | 156                | 118                |
| - Wastewater   | 477                | 346                | 477                | 346                |
| - Water  | 691                | 515                | 691                | 515                |
| - Landfills/Transfer Stations                        | 20                 | 13                 | 20                 | 13                 |
| - Pensioner Housing                                  | 25                 | 24                 | 25                 | 24                 |
| - Halls  | 80                 | 80                 | 80                 | 80                 |
| - Swimming Baths                                     | 4                  | 4                  | 4                  | 4                  |
| - Plant, Equipment and Motor Vehicles                | 90                 | 89                 | 90                 | 89                 |
| - Buildings  | 102                | 101                | 102                | 101                |
| - Building Contents                                  | 16                 | 21                 | 16                 | 21                 |
| - Computer and Office Equipment                      | 167                | 188                | 167                | 188                |
| <b>Total Depreciation</b>                            | <b>10,905</b>      | <b>9,790</b>       | <b>10,905</b>      | <b>9,790</b>       |
| Interest Expense on Borrowings                       | 1,376              | 806                | 1,376              | 806                |
| Mayor and Councillors' Fees                          | 276                | 290                | 276                | 290                |
| Change to Provision for Doubtful Debts               | 23                 | 15                 | 23                 | 15                 |
| Net Gain on Disposal of Property Plant and Equipment | 132                | 264                | 132                | 264                |
| Rental expenses on Operating Leases                  | -                  | -                  | -                  | -                  |
| Insurance premiums                                   | 134                | 136                | 134                | 136                |
| Legal and consulting                                 | 540                | 455                | 540                | 455                |

### (e) Severance Payments

No severance payments were made under clause 19 (1) of the Local Government Act 2002.

# Notes to the Financial Statements

## 6 Contingent Liabilities

|                                   | Parent             |                    | Consolidated       |                    |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                   | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| Guarantees to other organisations | 1,003              | 978                | 1,003              | 978                |

The Council has given a \$750,000 guarantee on loan advances to the Mangawhai Harbour Restoration Society for funding of the restoration project. Funding of loan repayments is by way of a Special Rate over the catchment area of the Mangawhai Harbour. The Society controls all of the activities of the restoration project and received from the Council the proceeds of the rate for the purposes of loan repayments and is required to report to Council on their activities and financial position each year.

Council has given a \$100,000 guarantee to the ASB Bank Limited in respect of their loan to the Mangawhai Club Incorporated.

In 1998 a \$108,000 letter of credit was issued in favour of the Northland Regional Council, being a performance bond in respect of the future capping of District landfills.

A \$45,000 guarantee to the Bank of New Zealand exists, for Council credit card limits.

In respect of all of the above guarantees, Council has assessed the risk factor, and any uncertainty at zero. Therefore any question of reimbursement is not applicable.

Council is subject to three building claims in respect of repair costs for leaky buildings. At balance date there was one claim for \$7,000 which has lain inactive for several years, being dealt with through the Weathertight Homes Resolution Service. The other two, one claim of \$25,500 and one of \$32,300, are being handled through Council's insurers. The Council's insurance policy excess is \$50,000.

## 7 Property, Plant and Equipment

Duffill Watts Valuations, independent qualified valuers, carried out the required 3-yearly revaluation of the Infrastructural Assets as at 1 July 2007 using depreciated replacement costs. The \$111,581,000 revaluation increment has been recognised in these financial statements. Duffill Watts Valuations were the only valuers used by Council, and the Fair Value placed by them on infrastructure at 1 July 2007 was \$369,670 million.

Kaipara District Council has applied the deemed cost exemption that is available under NZ IFRS, for buildings, and for land other than that under roads (land under roads will, like all other Infrastructural Assets continue to be revalued every three years) the deemed cost exemption allows Council to measure an item of property, plant and equipment at its fair value, and use that fair value as its deemed cost on transition to NZ IFRS.

Restricted assets are held by the Council for the benefit of the community, and are not, because of their nature or the title to their ownership, generally available for disposal by the Council.

# Notes to the Financial Statements

## **Urban Portions of the State Highway Network**

The ownership of urban portions of the State Highway Network is unclear although there is legal opinion indicating that the ownership rests with local authorities. Land Transport New Zealand maintains these highways in their entirety without any costs accruing to local authorities. Kaipara District contains 17.7 kilometres of urban State Highway.

As a consequence, even if ownership resides with local authorities, in practice Land Transport New Zealand controls the economic resources. Pending clarification of ownership and further consideration of the accounting issue which may arise, Kaipara District Council has not recognised the urban portion of the State Highway Network as an asset in these financial statements.

## **Fair Value of Property, Plant and Equipment**

The carrying amounts which show on the two schedules which follow are, after careful assessment by Council's management and professional advisers, believed to closely approximate fair value. No known impairment has been identified. Council makes steady incremental improvements to its roading network, and regular and steady upgrades to all other property, plant and equipment.

# Notes to the Financial Statements

## Property, Plant and Equipment - This Year - Parent and Group

|  | Cost/<br>Revaluation<br>1 July 2007 | Accumulated<br>Depreciation<br>and<br>Impairment<br>Charges<br>1 July 2007 | Carrying<br>Amount<br>1 July 2007 | Current<br>Year<br>Additions | Current<br>Year<br>Disposals | Current<br>Year<br>Impairment<br>Charges | Current<br>Year<br>Depreciation | Revaluation<br>Surplus | Cost/<br>Revaluation<br>30 June 2008 | Accumulated<br>Depreciation<br>and<br>Impairment<br>Charges<br>30 June 2008 | Carrying<br>Amount<br>30 June 2008 |
|--|-------------------------------------|--|-----------------------------------|------------------------------|------------------------------|--|---------------------------------|------------------------|--------------------------------------|---|------------------------------------|
| <b>Infrastructural Assets</b>              |                                     |  |                                   |                              |                              |  |                                 |                        |                                      |   |                                    |
| Roading Network                            | 250,292                             | (23,925)   | 226,367                           | 10,959                       | -                            | -  | (9,077)                         | 97,362                 | 334,688                              | (9,077)   | 325,611                            |
| Stormwater System                          | 11,127                              | (327)  | 10,800                            | 129                          | -                            | -  | (156)                           | 2,229                  | 13,158                               | (156)   | 13,002                             |
| Wastewater System                          | 9,605                               | (1,002)  | 8,603                             | 1,458                        | -                            | -  | (461)                           | 4,823                  | 14,884                               | (461)   | 14,423                             |
| Water System                               | 13,839                              | (1,520)  | 12,319                            | 1,214                        | -                            | -  | (691)                           | 7,167                  | 20,700                               | (691)   | 20,009                             |
| Landfills/Transfer Stations                | 589                                 | (105)  | 484                               | 239                          | -                            | -  | (20)                            | -                      | 828                                  | (125)   | 703                                |
| Asset under construction                   | 6,815                               | (4)  | 6,811                             | 355                          | -                            | -  | (16)                            | -                      | 7,170                                | (20)  | 7,150                              |
|  | <u>292,267</u>                      | <u>(26,883)</u>  | <u>265,384</u>                    | <u>14,354</u>                | <u>-</u>                     | <u>-</u>                                 | <u>(10,421)</u>                 | <u>111,581</u>         | <u>391,428</u>                       | <u>(10,530)</u>   | <u>380,898</u>                     |
| <b>Restricted Assets</b>                   |                                     |  |                                   |                              |                              |  |                                 |                        |                                      |   |                                    |
| Reserves                                   | 15,206                              | -  | 15,206                            | -                            | -                            | -  | -                               | -                      | 15,206                               | -   | 15,206                             |
| Social Housing                             | 1,191                               | (24)   | 1,167                             | 263                          | -                            | -  | (25)                            | -                      | 1,454                                | (49)  | 1,405                              |
| Swimming Pool                              | 184                                 | (15)   | 169                               | 536                          | -                            | -  | (4)                             | -                      | 720                                  | (19)  | 701                                |
| MEF Property                               | 672                                 | -  | 672                               | -                            | -                            | -  | -                               | -                      | 672                                  | -   | 672                                |
| Halls                                      | 4,034                               | (322)  | 3,712                             | -                            | -                            | -  | (80)                            | -                      | 4,033                                | (402)   | 3,631                              |
|  | <u>21,287</u>                       | <u>(361)</u>   | <u>20,926</u>                     | <u>799</u>                   | <u>-</u>                     | <u>-</u>                                 | <u>(109)</u>                    | <u>-</u>               | <u>22,085</u>                        | <u>(470)</u>  | <u>21,615</u>                      |
| <b>Operational Assets</b>                  |                                     |  |                                   |                              |                              |  |                                 |                        |                                      |   |                                    |
| Land                                       | 11,095                              | -  | 11,095                            | 266                          | (59)                         | -  | -                               | -                      | 11,302                               | -   | 11,302                             |
| Buildings                                  | 5,062                               | (403)  | 4,659                             | 9                            | -                            | -  | (102)                           | -                      | 5,070                                | (504)   | 4,566                              |
| Building Contents                          | 1,198                               | (1,180)  | 18                                | -                            | -                            | -  | (16)                            | -                      | 1,198                                | (1,196)   | 2                                  |
| Mobile Plan                                | 565                                 | (320)  | 245                               | 211                          | (47)                         | -  | (90)                            | -                      | 744                                  | (425)   | 319                                |
| Static Plant                               | 106                                 | (106)  | -                                 | -                            | -                            | -  | -                               | -                      | 106                                  | (106)   | -                                  |
| Office Equipment                           | 2,340                               | (1,973)  | 367                               | 95                           | -                            | -  | (167)                           | -                      | 2,388                                | (2,092)   | 296                                |
|  | <u>20,366</u>                       | <u>(3,982)</u>   | <u>16,384</u>                     | <u>581</u>                   | <u>(106)</u>                 | <u>-</u>                                 | <u>(375)</u>                    | <u>-</u>               | <u>20,808</u>                        | <u>(4,323)</u>  | <u>16,485</u>                      |
| <b>Total Property, Plant and Equipment</b> | <u>333,920</u>                      | <u>(31,226)</u>  | <u>302,694</u>                    | <u>15,734</u>                | <u>(106)</u>                 | <u>-</u>                                 | <u>(10,905)</u>                 | <u>111,581</u>         | <u>434,321</u>                       | <u>(15,323)</u>   | <u>418,998</u>                     |

# Notes to the Financial Statements

## Property, Plant and Equipment - Last Year - Parent and Group

|  | Cost/<br>Revaluation<br>1 July 2006 | Accumulated<br>Depreciation<br>and<br>Impairment<br>Charges<br>1 July 2006 | Carrying<br>Amount<br>1 July 2006 | Current<br>Year<br>Additions | Current<br>Year<br>Disposals | Current<br>Year<br>Impairment<br>Charges | Current<br>Year<br>Depreciation | Revaluation<br>Surplus | Cost/<br>Revaluation<br>30 June 2007 | Accumulated<br>Depreciation<br>and<br>Impairment<br>Charges<br>30 June 2007 | Carrying<br>Amount<br>30 June 2007 |
|--|-------------------------------------|--|-----------------------------------|------------------------------|------------------------------|--|---------------------------------|------------------------|--------------------------------------|---|------------------------------------|
| <b>Infrastructural Assets</b>              |                                     |  |                                   |                              |                              |  |                                 |                        |                                      |   |                                    |
| Roading Network                            | 241,210                             | (15,634)   | 225,576                           | 9,082                        | -                            | -  | (8,291)                         | -                      | 226,367                              | -   | 226,367                            |
| Stormwater System                          | 10,687                              | (209)  | 10,478                            | 440                          | -                            | -  | (118)                           | -                      | 10,800                               | -   | 10,800                             |
| Wastewater System                          | 9,154                               | (660)  | 8,494                             | 451                          | -                            | -  | (342)                           | -                      | 8,603                                | -   | 8,603                              |
| Water System                               | 13,258                              | (1,005)  | 12,253                            | 581                          | -                            | -  | (515)                           | -                      | 12,319                               | -   | 12,319                             |
| Landfills/Transfer Stations                | 557                                 | (92)   | 465                               | 32                           | -                            | -  | (13)                            | -                      | 484                                  | -   | 484                                |
| Asset under construction                   | 1,304                               | -  | 1,304                             | 5,511                        | -                            | -  | (4)                             | -                      | 6,811                                | -   | 6,811                              |
|  | <u>276,170</u>                      | <u>(17,600)</u>  | <u>258,570</u>                    | <u>16,097</u>                | <u>-</u>                     | <u>-</u>                                 | <u>(9,283)</u>                  | <u>-</u>               | <u>265,384</u>                       | <u>-</u>  | <u>265,384</u>                     |
| <b>Restricted Assets</b>                   |                                     |  |                                   |                              |                              |  |                                 |                        |                                      |   |                                    |
| Reserves                                   | 15,206                              | -  | 15,206                            | -                            | -                            | -  | -                               | -                      | 15,206                               | -   | 15,206                             |
| Social Housing                             | 1,191                               | -  | 1,191                             | -                            | -                            | -  | (24)                            | -                      | 1,167                                | -   | 1,167                              |
| Swimming Pool                              | 184                                 | (11)   | 173                               | -                            | -                            | -  | (4)                             | -                      | 169                                  | -   | 169                                |
| MEF Property                               | 672                                 | -  | 672                               | -                            | -                            | -  | -                               | -                      | 672                                  | -   | 672                                |
| Halls                                      | 4,034                               | (242)  | 3,792                             | -                            | -                            | -  | (80)                            | -                      | 3,712                                | -   | 3,712                              |
|  | <u>21,287</u>                       | <u>(253)</u>   | <u>21,034</u>                     | <u>-</u>                     | <u>-</u>                     | <u>-</u>                                 | <u>(108)</u>                    | <u>-</u>               | <u>20,926</u>                        | <u>-</u>  | <u>20,926</u>                      |
| <b>Operational Assets</b>                  |                                     |  |                                   |                              |                              |  |                                 |                        |                                      |   |                                    |
| Land                                       | 10,015                              | -  | 10,015                            | 1,174                        | (94)                         | -  | -                               | -                      | 11,095                               | -   | 11,095                             |
| Buildings                                  | 5,059                               | (302)  | 4,757                             | 3                            | -                            | -  | (101)                           | -                      | 4,659                                | -   | 4,659                              |
| Building Contents                          | 1,198                               | (1,159)  | 39                                | -                            | -                            | -  | (21)                            | -                      | 18                                   | -   | 18                                 |
| Mobile Plan                                | 485                                 | (302)  | 183                               | 158                          | (7)                          | -  | (89)                            | -                      | 245                                  | -   | 245                                |
| Static Plant                               | 106                                 | (106)  | -                                 | -                            | -                            | -  | -                               | -                      | -                                    | -   | -                                  |
| Office Equipment                           | 2,197                               | (1,736)  | 461                               | 94                           | -                            | -  | (188)                           | -                      | 367                                  | -   | 367                                |
|  | <u>19,060</u>                       | <u>(3,605)</u>   | <u>15,455</u>                     | <u>1,429</u>                 | <u>(101)</u>                 | <u>-</u>                                 | <u>(399)</u>                    | <u>-</u>               | <u>16,384</u>                        | <u>-</u>  | <u>16,384</u>                      |
| <b>Total Property, Plant and Equipment</b> | <u>316,517</u>                      | <u>(21,458)</u>  | <u>295,059</u>                    | <u>17,526</u>                | <u>(101)</u>                 | <u>-</u>                                 | <u>(9,790)</u>                  | <u>-</u>               | <u>302,694</u>                       | <u>-</u>  | <u>302,694</u>                     |

## 8 Forestry Assets

In accordance with Council's accounting policy requiring annual revaluations, Chandler Fraser and Keating (Forestry Consultants) performed an independent valuation of the forests as at 30 June 2008.

The calculated of the revaluation was fair value less estimated point of sale costs. Fair value was determined based on the present value of expected net cash flows discounted at a current market-determined pre-tax rate. The result of the 2008 revaluation was a write-down of \$66,000, which reflects under realised Fair Value in the income statement.

The costs to maintain the forestry assets are included in the income statement.

The movement in asset value is as follows:

|                                | Parent             |                    | Consolidated       |                    |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| Opening balance                | 1,506              | 1,107              | 1,506              | 1,107              |
| Capitalisation of silviculture | -                  | 144                | -                  | 144                |
| Deficit on annual revaluation  | (66)               | 285                | (66)               | 285                |
| Harvesting removals            | (423)              | (30)               | (423)              | (30)               |
| Closing balance                | <u>1,017</u>       | <u>1,506</u>       | <u>1,017</u>       | <u>1,506</u>       |

Council owns eight small forest blocks of radiata pine which are at various stages of maturity ranging from 1 to 27 years.

## 9 Reconciliation of Operating Cash Flows to Net Surplus

|   | Parent             |                    | Consolidated       |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| Net Surplus for the Year                        | 1,135              | 3,262              | 1,135              | 3,255              |
| <i>Non-cash Items</i>                           |                    |                    |                    |                    |
| Gain on Sale of Assets                          | -                  | 5                  | -                  | 5                  |
| Property, Plant and Equipment vested to Council | (473)              | 468                | (473)              | 468                |
| Forest Estate and Shareholding Revaluations     | (36)               | (309)              | (36)               | (309)              |
| Interest Capitalised                            | 565                | 59                 | 565                | 59                 |
| Sinking Fund Interest                           | (188)              |                    | (188)              |                    |
| Increase doubtful debt provision                | 23                 |                    | 23                 |                    |
| Depreciation                                    | 10,905             | 9,790              | 10,905             | 9,790              |
|   | <u>10,796</u>      | <u>10,013</u>      | <u>10,796</u>      | <u>10,013</u>      |
| <i>Less movement in Investment Activities</i>   |                    |                    |                    |                    |
| Gain on disposal of PPE                         | (132)              | -                  | (132)              | -                  |
| Mortgage Interest                               | (10)               | -                  | (10)               | -                  |
| Total   | <u>(142)</u>       | <u>-</u>           | <u>(142)</u>       | <u>-</u>           |

# Notes to the Financial Statements

|   | Parent             |                    | Consolidated       |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| <i>Add Movement in Working Items</i>                                  |                    |                    |                    |                    |
| Decrease (Increase) in Trade and other Receivables                    | (3,909)            | (58)               | (3,909)            | (58)               |
| Decrease (Increase) in Accrued Revenue                                | (517)              | (835)              | (517)              | (835)              |
| Increase (Decrease) Employee Benefits                                 | 77                 | 53                 | 77                 | 53                 |
| Increase (Decrease) Trade and other Payables, net of capital accruals | 4,493              | 1,526              | 4,493              | 1,486              |
|   | <u>144</u>         | <u>686</u>         | <u>144</u>         | <u>646</u>         |
| Net Cash Inflow from Operating Activities                             | <u>11,933</u>      | <u>13,961</u>      | <u>11,933</u>      | <u>13,914</u>      |

## 10 Other Financial Assets

|  | Parent             |                    | Consolidated       |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| Sinking Funds                                  | 2,746              | 2,110              | 2,746              | 2,110              |
| Mortgages (Property)                           | 125                | 145                | 125                | 145                |
|  | <u>2,871</u>       | <u>2,255</u>       | <u>2,871</u>       | <u>2,255</u>       |
| Less Current Portion of Mortgages and Advances | (14)               | (14)               | (14)               | (14)               |
|  | <u>2,857</u>       | <u>2,241</u>       | <u>2,857</u>       | <u>2,241</u>       |
| Investment in subsidiary                       | -                  | -                  | -                  | -                  |
| Shares   | 41                 | 38                 | 41                 | 38                 |
| Non Current Portion of Investments             | <u>2,898</u>       | <u>2,279</u>       | <u>2,898</u>       | <u>2,279</u>       |

Other financial assets are valued at fair value. The mortgage, and each individual component of the Sinking Fund total is measured at amortised cost using the effective interest method, and taking full account of impairment if applicable.

### A Interest Rates

The weighted average effective interest rates on monetary investments (current and non-current) and the associated repricing maturities were:

| Weighted Average Effective Interest Rate |           | Parent         |                | Consolidated   |                |
|--|-----------|----------------|----------------|----------------|----------------|
|  |           | This Year<br>% | Last Year<br>% | This Year<br>% | Last Year<br>% |
| Sinking Funds                            |           | 8.40           | 8.09           | 8.40           | 8.09           |
| Mortgages (Rural, Community, Property)   |           | 8.17           | 8.19           | 8.17           | 8.19           |
| <b>Repricing Maturities</b>              | < 1 Year  | 1-2<br>Years   | 2-5<br>Years   | > 5<br>Years   | Total          |
| Sinking Funds                            | -         | -              | -              | 2,746          | 2,746          |
| Mortgages                                | 14        | 15             | 53             | 43             | 125            |
|  | <u>14</u> | <u>15</u>      | <u>53</u>      | <u>2,789</u>   | <u>2,871</u>   |

# Notes to the Financial Statements

## B Shareholdings

New Zealand Local Government Insurance Corporation Limited:

- 13,629 shares of \$1 each. Council holds 0.21 percent of the issued shares.

|  | Parent                           |                                  | Consolidated                     |                                  |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
|  | This Year<br>Fair Value<br>\$000 | Last Year<br>Fair Value<br>\$000 | This Year<br>Fair Value<br>\$000 | Last Year<br>Fair Value<br>\$000 |
| New Zealand Local Government Insurance Corporate Limited | 41                               | 38                               | 41                               | 38                               |

An estimate of the fair value is based on the Council's share of the net assets.

## 11 Current Assets

|  | Parent             |                    | Consolidated       |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| <b>(a) Trade and Other Receivables</b> |                    |                    |                    |                    |
| Sundry Debtors                         | 4,437              | 865                | 4,437              | 865                |
| Land Rates                             | 1,970              | 1,683              | 1,970              | 1,683              |
| Water Rates and Charges                | 418                | 122                | 418                | 122                |
| Dog Licences                           | 313                | -                  | 313                | -                  |
| Prepayments                            | 528                | 591                | 528                | 591                |
|  | <u>7,666</u>       | <u>3,261</u>       | <u>7,666</u>       | <u>3,261</u>       |
| Less provision for Doubtful Debts      | <u>(328)</u>       | <u>(305)</u>       | <u>(328)</u>       | <u>(305)</u>       |
|  | <u>7,338</u>       | <u>2,956</u>       | <u>7,338</u>       | <u>2,956</u>       |
| <b>(b) Accrued Revenue</b>             |                    |                    |                    |                    |
| Water Charges                          | 347                | 326                | 347                | 326                |
| Interest                               | 7                  | 25                 | 7                  | 25                 |
| Forestry Proceeds                      | 266                | -                  | 266                | -                  |
| Petrol Tax                             | 25                 | 24                 | 25                 | 24                 |
| Land Transport New Zealand Subsidies   | 1,920              | 1,519              | 1,920              | 1,519              |
| Other                                  | 538                | 692                | 538                | 692                |
|  | <u>3,103</u>       | <u>2,586</u>       | <u>3,103</u>       | <u>2,586</u>       |

As at 30 June 2008 and 2007, all overdue receivables, including rates, have been assessed for impairment and appropriate provisions applied. Council holds no collateral as security or other credit enhancements over receivables, but does have rates recovery powers under the Local Government (Rating) Act 2002. Those powers are exercised to recover all rates other than on some multiply owned maori land. That impairment reflects in Council's doubtful debt provision.

# Notes to the Financial Statements

The age of rates receivable overdue, whose payment terms have been renegotiated, but not impaired are as follows:

|                 | Parent             |                    | Consolidated       |                    |
|-----------------|--------------------|--------------------|--------------------|--------------------|
|                 | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| 0 to 3 months   | 8                  | 13                 | 8                  | 13                 |
| 3 to 6 months   | 5                  | 4                  | 5                  | 4                  |
| 6 to 9 months   | 7                  | 2                  | 7                  | 2                  |
| 9 to 12 months  | 1                  | 1                  | 1                  | 1                  |
| > 12 months     | -                  | -                  | -                  | -                  |
| Carrying Amount | <u>21</u>          | <u>20</u>          | <u>21</u>          | <u>20</u>          |

The carrying value of trade and other receivables approximates their fair value.

|   | Parent             |                    | Consolidated       |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| <b>Movement in Provision Reconciliation</b> |                    |                    |                    |                    |
| Opening Balance                             | (305)              | (290)              | (305)              | (290)              |
| Estimated increase in doubtful debts        | (23)               | (15)               | (23)               | (15)               |
| Closing Balance                             | <u>(328)</u>       | <u>(305)</u>       | <u>(328)</u>       | <u>(305)</u>       |
| <b>Analysis of Total Debtors Ageing</b>     |                    |                    |                    |                    |
| Not past due                                | 7,295              | 2,910              | 7,295              | 2,910              |
| Past due 1-60 days                          | 22                 | 27                 | 22                 | 27                 |
| Past due 61-120 days                        | 21                 | 19                 | 21                 | 19                 |
| Past due > 120 days                         | -                  | -                  | -                  | -                  |
| Total                                       | <u>7,338</u>       | <u>2,956</u>       | <u>7,338</u>       | <u>2,956</u>       |

## 12 Ratepayers' Equity

|                              | Parent             |                    | Consolidated       |                    |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
|                              | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| <b>(a) Accumulated Funds</b> |                    |                    |                    |                    |
| Opening Balance              | 284,235            | 282,172            | 284,235            | 282,200            |
| Surplus                      | <u>1,135</u>       | <u>3,262</u>       | <u>1,135</u>       | <u>3,255</u>       |
|                              | 285,370            | 285,434            | 285,370            | 285,455            |
| Transfers to:                |                    |                    |                    |                    |
| - Parent                     | -                  | -                  | -                  | (21)               |
| - Restricted Reserve         | (325)              | (248)              | (325)              | (248)              |
| - Council Created Reserves   | <u>(985)</u>       | <u>(2,534)</u>     | <u>(985)</u>       | <u>(2,534)</u>     |
|                              | (1,310)            | (2,782)            | (1,310)            | (2,803)            |

# Notes to the Financial Statements

|                                   | Parent             |                    | Consolidated       |                    |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                   | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| Transfers from:                   |                    |                    |                    |                    |
| - Restricted Reserve              | 186                | 53                 | 186                | 53                 |
| - Council Created Reserves        | 934                | 1,530              | 934                | 1,530              |
|                                   | <u>1,120</u>       | <u>1,583</u>       | <u>1,120</u>       | <u>1,583</u>       |
| Closing Balance                   | <u>285,180</u>     | <u>284,235</u>     | <u>285,180</u>     | <u>284,235</u>     |
| <b>(b) Restricted Reserves</b>    |                    |                    |                    |                    |
| Opening Balance                   | 5,327              | 5,132              | 5,327              | 5,132              |
| Transfers to: Accumulated Funds   | (186)              | (53)               | (186)              | (53)               |
| Transfers from: Accumulated Funds | 325                | 248                | 325                | 248                |
| Closing Balance                   | <u>5,466</u>       | <u>5,327</u>       | <u>5,466</u>       | <u>5,327</u>       |

Restricted Reserves relate to funds vested to the Council from the Mangawhai Harbour Board lands. These reserves are held for "county purposes that benefit or tend to benefit the Mangawhai district".

|                                     |              |              |              |              |
|-------------------------------------|--------------|--------------|--------------|--------------|
| <b>(c) Council Created Reserves</b> |              |              |              |              |
| Opening Balance                     | 5,184        | 4,180        | 5,184        | 4,180        |
| Transfers to: Accumulated Funds     | (934)        | (1,530)      | (934)        | (1,530)      |
| Transfers from: Accumulated Funds   | 985          | 2,534        | 985          | 2,534        |
| Closing Balance                     | <u>5,235</u> | <u>5,184</u> | <u>5,235</u> | <u>5,184</u> |

|                                      | Parent             |                    | Consolidated       |                    |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                      | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| <b>Council Created Reserves</b>      |                    |                    |                    |                    |
| Council created reserves consist of: |                    |                    |                    |                    |
| Asset Replacement Reserve            | 19                 | 19                 | 19                 | 19                 |
| Land Subdivision Reserve             | 5,124              | 5,076              | 5,124              | 5,076              |
| Special Loans Reserve                | 90                 | 87                 | 90                 | 87                 |
| Dargaville Wharf Reserve             | 2                  | 2                  | 2                  | 2                  |
|                                      | <u>5,235</u>       | <u>5,184</u>       | <u>5,235</u>       | <u>5,184</u>       |

- 1 The Asset Replacement Reserve represents the residue from the profits which arose from the sale of works assets when the roading and water utilities were outsourced in the 1990's.
- 2 The Land Subdivision Reserve represents contributions, sanctioned by the Resource Management Act, which are levied on developers of subdivision to provide reserves and open spaces for those communities.
- 3 The Special Loans Reserve represents SPARC loans to community groups.
- 4 The Dargaville Wharf balance is the residue of Government assistance following the 1999 flooding of parts of Dargaville.

# Notes to the Financial Statements

|  | Parent             |                    | Consolidated       |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| <b>(d) Asset Revaluation Reserves</b>      |                    |                    |                    |                    |
| Opening Balance                            | -                  | -                  | -                  | -                  |
| Revaluation of Infrastructure              | 111,581            | -                  | 111,581            | -                  |
|  | <u>111,581</u>     | <u>-</u>           | <u>111,581</u>     | <u>-</u>           |
| The Asset Revaluation Reserves consist of: |                    |                    |                    |                    |
| Infrastructure                             | 111,581            | -                  | 111,581            | -                  |
|  | <u>111,581</u>     | <u>-</u>           | <u>111,581</u>     | <u>-</u>           |

## 13 Borrowings

|   | Parent             |                    | Consolidated       |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| Balance 1 July                                  | 18,107             | 10,817             | 18,107             | 10,817             |
| Add Funds Raised                                | 3,502              | 7,234              | 3,502              | 7,234              |
| Add Capitalised Interest on Forestry Loans @ 7% | 64                 | 59                 | 64                 | 59                 |
|   | <u>21,673</u>      | <u>18,110</u>      | <u>21,673</u>      | <u>18,110</u>      |
| Less Repayments                                 | (1)                | (3)                | (1)                | (3)                |
| Balance 30 June                                 | <u>21,672</u>      | <u>18,107</u>      | <u>21,672</u>      | <u>18,107</u>      |
| Less Current Portion                            | -                  | (1)                | -                  | (1)                |
| Total Non-Current Borrowings                    | <u>21,672</u>      | <u>18,106</u>      | <u>21,672</u>      | <u>18,106</u>      |

|                                   | Parent             |                    | Consolidated       |                    |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                   | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| Balances are represented by:      |                    |                    |                    |                    |
| Trading Bank Loans                | 8,501              | 6,270              | 8,501              | 6,270              |
| Merchant Bank Infrastructure Loan | 5,869              | 5,368              | 5,869              | 5,368              |
| Rural Housing Loans               | -                  | 1                  | -                  | 1                  |
| Social Housing Loans              | 1,020              | -                  | 1,020              | -                  |
| Forestry Loans Repayable          | 965                | 901                | 965                | 901                |
| Local Government Stock            | 5,317              | 5,567              | 5,317              | 5,567              |
|                                   | <u>21,672</u>      | <u>18,107</u>      | <u>21,672</u>      | <u>18,107</u>      |
| Loans Repaid were financed from:  |                    |                    |                    |                    |
| Revenue                           | (1)                | (3)                | (1)                | (3)                |
|                                   | <u>(1)</u>         | <u>(3)</u>         | <u>(1)</u>         | <u>(3)</u>         |

# Notes to the Financial Statements

Term Liabilities include Local Authority Stock and Bank Loans with maturity dates from 2008 to 2013 and interest rates ranging from 6.0 to 8.59 percent. All term liabilities are secured by either rates levied by Council, property rentals or future harvesting of trees from Council's forests.

| Maturity Dates and Interest Rates for Term Debt | Parent             |                    | Consolidated       |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| Current Portion (2008/09)                       | -                  | 1                  | -                  | 1                  |
| 2 to 5 years (2010 to 2013) at 6.0% to 8.59%    | 14,783             | 11,837             | 14,783             | 11,837             |
| 6 to 10 years (2014 to 2018)                    | -                  | 901                | -                  | 901                |
| 10 and over (2019 and Over) at 7.8%             | 6,889              | 5,368              | 6,889              | 5,368              |
|   | <u>21,672</u>      | <u>18,107</u>      | <u>21,672</u>      | <u>18,107</u>      |

## Weighted Average Effective Interest Rate

The weighted average effective interest rates on all borrowings (current and non-current) were:

- This Year: 7.60%
- Last Year: 7.40%

## Interest Rate Risk

The interest rates on Kaipara District Council's borrowings are disclosed above, and the rates applicable to Council's investments are disclosed in No 10(A).

## Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowing issued at fixed rates expose the Kaipara District Council to fair value interest rate risk. Kaipara District Council's Liability Management policy outlines the level of borrowing that is to be secured using fixed rate instruments. Investments at fixed interest rates expose the Kaipara District Council to fair value interest rate risk.

If interest rates on investments at 30 June 2008 had fluctuated by plus or minus 0.5%, the effect would have been to decrease/increase the fair value held for maturity reserve by \$1,200 (2007:\$700).

If interest rates on borrowings at 30 June 2008 had fluctuated by plus or minus 0.5%, the effect would have been to decrease/increase the surplus by \$2,700 (2007: \$2,300) as a result of higher/lower interest expense on floating rate borrowings.

## Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose Kaipara District Council to cash flow interest rate risk. Such risk is considered to be minimal.

# Notes to the Financial Statements

## 14 Trade and Other Payables

|                                     | Parent             |                    | Consolidated       |                    |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                     | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| <b>Trade and Other Payables</b>     |                    |                    |                    |                    |
| Trade Creditors                     | 6,929              | 5,766              | 6,929              | 5,766              |
| Accrued Expenses                    | 454                | 454                | 454                | 454                |
| Other Creditors - Deposits Held     | 2,295              | 1,827              | 2,295              | 1,827              |
| Other Creditors - Income in Advance | 3,017              | 22                 | 3,017              | 22                 |
|                                     | <u>12,695</u>      | <u>8,069</u>       | <u>12,695</u>      | <u>8,069</u>       |

Trade and Other Payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value.

## 15 Employee Entitlements

|                                | Parent             |                    | Consolidated       |                    |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| <b>Employee Entitlements</b>   |                    |                    |                    |                    |
| Salaries and Wages Due 30 June | 121                | 89                 | 121                | 89                 |
| Holiday Pay Accrued Due        | 313                | 268                | 313                | 268                |
| Sick Leave Provision           | -                  | -                  | -                  | -                  |
| Retirement Gratuities          | -                  | -                  | -                  | -                  |
|                                | <u>434</u>         | <u>357</u>         | <u>434</u>         | <u>357</u>         |

## 16 Provisions

|  | Parent             |                    | Consolidated       |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| The non current provision is for:  | \$                 | \$                 | \$                 | \$                 |
| Landfill closure and aftercare   | <u>422</u>         | <u>415</u>         | <u>422</u>         | <u>415</u>         |
| The movement in this provision is represented by:  |                    |                    |                    |                    |
| Carrying amount at beginning of period   | 415                | 403                | 415                | 403                |
| Increased, or additional provision   | -                  | -                  | -                  | -                  |
| Amounts used   | -                  | -                  | -                  | -                  |
| Amounts reversed unused  | -                  | -                  | -                  | -                  |
| Increase in the discounted amount arising from passage of time and the effect of any change in the discount rate | <u>7</u>           | <u>12</u>          | <u>7</u>           | <u>12</u>          |
| Carrying amount at end of period   | <u>422</u>         | <u>415</u>         | <u>422</u>         | <u>415</u>         |

# Notes to the Financial Statements

The provision has been made for the future costs of closing the Dargaville Landfill at the end of its economic and consented life and for the associated post-closure costs of the Dargaville landfill as well as all other closed landfills within the District.

## 17 Cash and Cash Equivalents

|  | Parent             |                    | Consolidated       |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| Cash at Bank and in hand   | 8,217              | 8,559              | 8,217              | 8,559              |
| Short term deposits maturing three months or less from date of acquisition | 1,100              | 1,100              | 1,100              | 1,100              |
| <b>Total Cash and Cash Equivalents</b>                                     | <b>9,317</b>       | <b>9,659</b>       | <b>9,317</b>       | <b>9,659</b>       |

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

There were no cash or cash equivalent balances held at 30 June 2008 that were not available for use by Council.

The weighted average interest rate for the year, for cash and cash equivalents was 7.6% (2007: 7.8%).

Council was not party to construction contracts.

## 18 Financial Instruments

All financial instruments in the Financial Statements are carried at their fair value, except for loans which are recorded at cost, and shares in companies - refer Note 10(B). Financial Instruments, which potentially subject Council to credit risk, consist of bank and debtor balances. Rates debtors are secured by a lien over land. There is no collateral for other debtors. Council is not exposed to any concentration of credit risk.

The Council is risk averse and seeks to minimise exposure arising from its treasury activities. To this end, the Council invests funds (other than minimal Rural Housing advances) in deposits with registered banks and in the case of Sinking Fund Deposits, with the Public Trustee.

## 19 Segmental Reporting

Kaipara District Council provides local authority services to ratepayers and other residents of Kaipara.

## 20 Related Party Transactions

### a) Inter-group Transactions and Balances

|   | 2008<br>\$ | 2007<br>\$ |
|---|------------|------------|
| Kaipara District Economic Development Trust       |            |            |
| Economic development services provided to Council | -          | 110,000    |

No related party debts have been written off or forgiven during the year.

# Notes to the Financial Statements

## b) Key Management and Members of the Council

During the year key Management and Councillors, as part of a normal customer relationship, were involved in minor transactions with Council (such as payment of rates). In addition, during the year Council purchased services, including GST, and on normal commercial terms, from the following key Management:

|             |    |        |
|-------------|----|--------|
|             | \$ | \$     |
| Sandra King | -  | 17,786 |

## 21 Post Balance Date Events

There have been no significant events following balance date that would affect the result for the year (2007: nil).

## 22 Categories of Financial Assets and Liabilities

|   | Parent                |                       | Consolidated          |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | This<br>Year<br>\$000 | Last<br>Year<br>\$000 | This<br>Year<br>\$000 | Last<br>Year<br>\$000 |
| <b>Loans and receivables</b>                                  |                       |                       |                       |                       |
| Cash and cash equivalents (note 16)                           | 9,317                 | 9,659                 | 9,317                 | 9,659                 |
| Trade and other receivables (note 11)                         | 7,338                 | 2,956                 | 7,338                 | 2,956                 |
| Property mortgage (note 10)                                   | 125                   | 145                   | 125                   | 145                   |
| <b>Total loans and receivables</b>                            | <u>16,780</u>         | <u>12,760</u>         | <u>16,780</u>         | <u>12,760</u>         |
| <b>Held to maturity</b>                                       |                       |                       |                       |                       |
| Other financial assets - Sinking Funds                        | 2,746                 | 2,110                 | 2,746                 | 2,110                 |
| <b>Total held to maturity</b>                                 | <u>2,746</u>          | <u>2,110</u>          | <u>2,746</u>          | <u>2,110</u>          |
| <b>Fair value through equity</b>                              |                       |                       |                       |                       |
| Other financial assets - shares                               | 41                    | 38                    | 41                    | 38                    |
| <b>Total fair value through equity</b>                        | <u>41</u>             | <u>38</u>             | <u>41</u>             | <u>38</u>             |
| <b>Financial liabilities measured at amortised cost</b>       |                       |                       |                       |                       |
| Trade and other payables (note 14)                            | 12,695                | 8,069                 | 12,695                | 8,069                 |
| Borrowings:   |                       |                       |                       |                       |
| - secured loans   | 21,672                | 18,107                | 21,672                | 18,107                |
| <b>Total financial liabilities measured at amortised cost</b> | <u>34,367</u>         | <u>26,176</u>         | <u>34,367</u>         | <u>26,176</u>         |

## 22a) Financial Instrument Risks

Council has a series of policies to manage the risk associated with financial instruments. Council is risk averse and seeks to minimise exposure from its treasury activities. Kaipara District Council has established Council approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

# Notes to the Financial Statements

## Maximum exposure to credit risk

|   | Parent             |                    | Consolidated       |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| <b>Council's maximum credit exposure for each class of financial instrument are as follows:</b> |                    |                    |                    |                    |
| Cash at bank and term deposits  | 9,317              | 9,659              | 9,317              | 9,659              |
| Debtors and other receivable  | 7,338              | 2,956              | 7,338              | 2,956              |
| Financial guarantees  | 1,003              | 978                | 1,003              | 978                |
|   | <u>17,658</u>      | <u>13,593</u>      | <u>17,658</u>      | <u>13,593</u>      |

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit rating (if available) or to historical information about counterparty default rates:

## Counterparties with Credit Ratings

|  | Parent             |                    | Consolidated       |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | This Year<br>\$000 | Last Year<br>\$000 | This Year<br>\$000 | Last Year<br>\$000 |
| Cash at bank and term deposits           |                    |                    |                    |                    |
| AA                                       | 9,317              | 9,659              | 9,317              | 9,659              |
| AA-                                      | -                  | -                  | -                  | -                  |
| Total cash at bank and term deposits     | <u>9,317</u>       | <u>9,659</u>       | <u>9,317</u>       | <u>9,659</u>       |
| <b>Total financial instrument assets</b> | <u>9,317</u>       | <u>9,659</u>       | <u>9,317</u>       | <u>9,659</u>       |

Debtors and other receivables mainly arise from Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. Council has no significant concentrations of credit risk in relation to debtors and other receivables. The Local Government (Rating) Act provides powers to recover outstanding debts from ratepayers.

# Notes to the Financial Statements

## Contractual Maturity of Financial Liabilities

The table below analyses Council's financial liabilities to relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

|                              | Carrying Amount<br>\$000 | Contractual Flows<br>\$000 | Less than 1 year<br>\$000 | 1-2 years<br>\$000 | 2 - 5 years<br>\$000 | More than 5 years<br>\$000 |
|------------------------------|--------------------------|----------------------------|---------------------------|--------------------|----------------------|----------------------------|
| <b>Council 2008</b>          |                          |                            |                           |                    |                      |                            |
| Creditors and other payables | 12,695                   | 12,695                     | 12,695                    | -                  | -                    | -                          |
| Secured Loans                | 21,672                   | 21,672                     | -                         | -                  | 14,783               | 6,889                      |
| Finance guarantees           | 1,003                    | 1,003                      | -                         | -                  | -                    | 1,003                      |
| <b>Total</b>                 | <b>35,370</b>            | <b>35,370</b>              | <b>12,695</b>             | <b>-</b>           | <b>14,783</b>        | <b>7,892</b>               |
| <b>Council 2007</b>          |                          |                            |                           |                    |                      |                            |
| Creditors and other payables | 8,426                    | 8,426                      | 8,426                     | -                  | -                    | -                          |
| Secured Loans                | 18,107                   | 18,107                     | 1                         | -                  | 11,837               | 6,269                      |
| Finance guarantees           | 978                      | 978                        | -                         | -                  | -                    | 978                        |
| <b>Total</b>                 | <b>27,511</b>            | <b>27,511</b>              | <b>8,427</b>              | <b>-</b>           | <b>11,837</b>        | <b>7,247</b>               |

## Contractual Maturity Analysis of Financial Assets

### Council 2008

|                               |               |               |               |          |          |          |
|-------------------------------|---------------|---------------|---------------|----------|----------|----------|
| Cash and cash equivalents     | 9,317         | 9,317         | 9,317         | -        | -        | -        |
| Debtors and other receivables | 7,338         | 7,338         | 7,338         | -        | -        | -        |
| <b>Total</b>                  | <b>16,655</b> | <b>16,655</b> | <b>16,655</b> | <b>-</b> | <b>-</b> | <b>-</b> |

### Council 2007

|                               |               |               |               |          |          |          |
|-------------------------------|---------------|---------------|---------------|----------|----------|----------|
| Cash and cash equivalents     | 9,659         | 9,659         | 9,659         | -        | -        | -        |
| Debtors and other receivables | 2,956         | 2,956         | 2,956         | -        | -        | -        |
| <b>Total</b>                  | <b>12,615</b> | <b>12,615</b> | <b>12,615</b> | <b>-</b> | <b>-</b> | <b>-</b> |

## Liquidity Risk

### Management of Liquidity Risk

Liquidity risk is the risk that Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Council aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, Council maintains a target level of investments that must mature within the next 12 months. Council manages its borrowings in accordance with its funding and financial policies, which include a Liability Management policy. These policies have been adopted as part of Council's Long Term Council Community Plan.

# Notes to the Financial Statements

## Sensitivity Analysis

The table below illustrates the potential profit and loss and equity (excluding retained earnings) impact for reasonable possible market movements, with all other variables held constant, based on Council's financial instrument exposures at the balance date.

|  | 2008<br>\$000     |                            |                   |                            | 2007<br>\$000     |                            |                   |                            |
|--|-------------------|----------------------------|-------------------|----------------------------|-------------------|----------------------------|-------------------|----------------------------|
|  | -100bps<br>Profit | +100bps<br>Other<br>Equity | -100bps<br>Profit | +100bps<br>Other<br>Equity | -100bps<br>Profit | +100bps<br>Other<br>Equity | -100bps<br>Profit | +100bps<br>Other<br>Equity |
| <b>Interest Rate Risk</b>                      |                   |                            |                   |                            |                   |                            |                   |                            |
| <b>Financial Assets</b>                        |                   |                            |                   |                            |                   |                            |                   |                            |
| Cash and cash equivalents                      | (82)              | -                          | -                 | -                          | (86)              | -                          | -                 | -                          |
| Other financial assets                         |                   |                            |                   |                            |                   |                            |                   |                            |
| <b>Sinking Funds</b>                           | (1)               | -                          | -                 | -                          | (1)               | -                          | -                 | -                          |
| <b>Financial liabilities</b>                   |                   |                            |                   |                            |                   |                            |                   |                            |
| Borrowings:                                    |                   |                            |                   |                            |                   |                            |                   |                            |
| - term loans                                   | (3)               | -                          | -                 | -                          | (2)               | -                          | -                 | -                          |
| <b>Total sensitivity to interest rate risk</b> | (86)              | -                          | -                 | -                          | (89)              | -                          | -                 | -                          |

### Explanation of sensitivity analysis - Council

#### Note 1 Cash and cash equivalents

Cash and cash equivalents include deposits at call total \$8,217,000 (2007: \$8,559,000) which are at floating rates. A movement in interest rates plus or minus 1% has an effect on interest income of \$82,000 (2007: \$86,000).

#### Note 2 Creditors and other payables

Trade payables contain no liabilities domiciled in foreign currency.

## 23 Capital Management

The Council's capital is its ratepayers' equity, which comprise retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

## Notes to the Financial Statements

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Council Community Plan (LTCCP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. And the Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTCCP.

Details of Council's various reserves can be found in Note 12.

