

Prospective Financial Statements

Prospective Balance Sheet

	LTCCP 2008/09 \$000	Annual Plan 2008/09 \$000	Variance from LTCCP \$000
Assets			
Property, Plant and Equipment	342,819	423,908	81,089
Investments (inc Sinking Funds)	2,788	3,580	792
Biological Assets (Forest Estate)	1,753	1,608	(145)
Total Non-Current Assets	347,360	429,096	81,736
Working Capital			
Cash and Bank Deposits	8,253	10,342	2,089
Receivable and Accrued Revenue	5,158	5,799	641
Current Investment Balances	-	-	-
Total Current Assets	13,411	16,141	2,730
Less			
Payable and Staff Entitlements	6,380	6,380	-
Current Portion of Term Debt	-	-	-
Total Current Liabilities	6,380	6,380	-
Net Working Capital	7,031	9,761	2,730
Net Assets	354,391	438,857	84,466
Represented By			
Accumulated Funds	316,463	400,053	83,590
Restricted Reserves	4,775	5,305	530
Council Created Reserves	3,831	5,802	1,971
Public Equity	325,069	411,160	86,091
Non Current Liabilities	-	-	-
Public Debt (gross)	29,322	27,697	(1,625)
	29,322	27,697	(1,625)
Net Liabilities and Equity	354,391	438,857	84,466

Comment

The principal reason for the substantial increase in both Net Assets, and Equity, is the above-budget increment from the 3-yearly Infrastructural Assets revaluation.

Prospective Income Statement

	LTCCP 2008/09 \$000	Annual Plan 2006/09 \$000	Variance from LTCCP \$000
Revenue			
Significant Activities (per Prospective Revenue Summary)	17,568	20,972	3,404
Rates (per Prospective Revenue Summary)	17,686	15,130	(2,556)
Other Revenue	586	586	-
Total Operating Revenue	<u>35,840</u>	<u>36,688</u>	<u>848</u>
Expenditure			
Depreciation	11,051	11,212	161
Finance Costs	1,404	1,401	(3)
Other Costs	22,383	21,477	(906)
Total Operating Costs (per Prospective Cost of Services Summary)	<u>34,838</u>	<u>34,090</u>	<u>(748)</u>
Net Unadjusted Surplus	<u>1,002</u>	<u>2,598</u>	<u>1,596</u>
Unrealised Fair Value Changes	51	51	-
Net Surplus	<u>1,053</u>	<u>2,649</u>	<u>1,596</u>

Comment

The Rates variances reflects a re-timing of the initial receipt of Targeted Rates from EcoCare.

Prospective Movement in Public Equity

	LTCCP 2008/09 \$000	Annual Plan 2008/09 \$000	Variance from LTCCP \$000
Equity at 1 July	324,016	408,511	84,495
Net surplus for the Year	1,053	2,649	1,596
Total Recognised Revenue and Expenses	1,053	2,649	1,596
Equity at 30 June	<u>325,069</u>	<u>411,160</u>	<u>86,091</u>

Comment

The increment from the 1 July 2007 infrastructural assets revaluation substantially exceeded the LTCCP provision.

Prospective Cashflows

	LTCCP 2008/09 \$000	Annual Plan 2008/09 \$000	Variance from LTCCP \$000
Operating Activities			
<i>Cash to be provided from:</i>			
Rates	16,451	14,788	(1,663)
Fees, Charges and Other	5,004	5,558	554
Grants and Subsidies	12,900	15,193	2,293
Interest Received	328	425	97
	<u>34,683</u>	<u>35,964</u>	<u>1,281</u>
<i>Cash to be applied to:</i>			
Suppliers and Employees	21,632	20,920	(712)
Interest Expense	1,943	1,400	(543)
Taxes Including Net GST	(76)	(76)	-
	<u>23,499</u>	<u>22,244</u>	<u>(1,255)</u>
Net Cash From/(To) Operating Activities	<u>11,184</u>	<u>13,720</u>	<u>2,536</u>
Investing Activities			
<i>Cash to be provided from:</i>			
Sale of Assets	-	-	-
Sinking Fund Withdrawal	-	-	-
Disposal of Investments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash to be applied to:</i>			
Fixed Asset Purchases	22,176	16,247	(5,929)
Loans and Advances	-	-	-
Sinking Fund Instalments	395	532	137
	<u>22,571</u>	<u>16,779</u>	<u>(5,792)</u>
Net Cash From/(To) Investing Activities	<u>(22,571)</u>	<u>(16,779)</u>	<u>(5,792)</u>
Financing Activities			
Loans Raised	10,599	3,835	(6,764)
Loan Repayments	-	-	-
Net Cash From/(To) Financing Activities	<u>10,599</u>	<u>3,835</u>	<u>(6,764)</u>
Net Increase (Decrease) in Cash Held	<u>(788)</u>	<u>776</u>	<u>1,564</u>
Cash as at 1 July	<u>9,041</u>	<u>9,566</u>	<u>525</u>
Cash Resources at 30 June	<u>8,253</u>	<u>10,342</u>	<u>2,089</u>

Comment

The principal reason for the Revenue and Expenditure variances is the initial delay experienced in the project construction timelines for EcoCare.

Prospective Revenue Summary

	LTCCP 2008/09 \$000	Annual Plan 2008/09 \$000	Variance from LTCCP \$000
Revenue - Significant Activities			
Economic Development	-	-	
Social Development	317	460	143
Roading	13,646	15,703	2,057
Water Supply	1,687	1,687	-
Wastewater	34	34	-
Urban Stormwater	2	2	-
Land Drainage	3	3	-
Refuse	36	9	(27)
Community Spaces	456	584	128
Policy and Planning	-	-	-
District Development	1,867	2,317	450
Democracy	-	-	-
Forestry	897	897	-
Property	309	309	-
Corporate Services	3,186	2,969	(217)
Miscellaneous	-	-	-
	<u>22,440</u>	<u>24,974</u>	<u>2,534</u>
Less Internal Revenue	<u>(4,872)</u>	<u>(4,002)</u>	<u>870</u>
Total External Revenue	<u>17,568</u>	<u>20,972</u>	<u>3,404</u>

Rates Revenue

	LTCCP 2008/09 \$000	Annual Plan 2008/09 \$000	Variance from LTCCP \$000
General Rates	11,380	11,638	258
Targeted Rates			
- Water	90	90	-
- Wastewater	4,615	1,703	(2,912)
- Stormwater	769	705	(64)
- Land Drainage	496	541	45
- Mangawhai Harbour Restoration	108	225	117
- Dargaville Development	106	106	-
- Dargaville Town Hall	28	28	-
- Dargaville Pool	94	94	-
Targeted Rates	<u>6,306</u>	<u>3,492</u>	<u>(2,814)</u>
Total Council Rates	<u>17,686</u>	<u>15,130</u>	<u>(2,556)</u>

Prospective Cost of Service Summary Statement

	LTCCP 2008/09 \$000	Annual Plan 2008/09 \$000	Variance from LTCCP \$000
Expenditure			
Economic Development	220	200	(20)
Social Development	574	767	193
Roading	19,249	21,321	2,072
Water Supply	1,688	1,719	31
Wastewater	4,931	1,286	(3,645)
Urban Stormwater	651	652	1
Land Drainage	506	551	45
Refuse	663	623	(40)
Community Spaces	1,716	2,107	391
Policy and Planning	381	354	(27)
District Development	2,635	3,061	426
Democracy	1,056	1,063	7
Forestry	721	721	-
Property	698	698	-
Corporate Services	3,186	2,969	(217)
Miscellaneous - Revaluation	835	-	(835)
	<u>39,710</u>	<u>38,092</u>	<u>(1,618)</u>
Less Internal Revenue	<u>(4,872)</u>	<u>(4,002)</u>	<u>870</u>
Total External Revenue	<u><u>34,838</u></u>	<u><u>34,090</u></u>	<u><u>(748)</u></u>

Prospective Rate Requirement and Public Debt Balances

	LTCCP 2008/09	Annual Plan 2008/09	Variance from LTCCP
Public Debt – Net Balance (\$000) see Note	26,534	24,272	(2,262)
Separate Rates (\$000)	6,306	3,492	(2,814)
General Rate Including GUAC (\$000)	11,380	11,638	258
District Population	18,370	18,370	-
Rateable Properties	11,991	12,860	869
Public Debt Per Resident (\$)	1,444	1,321	(123)
Average General Rate Per Property (\$)	949	905	(44)

Note

Net debt is gross debt, minus any funded investment reserves (sinking funds) set aside to repay loans maturing in the future.

Significant Forecasting Assumptions and Risks

Significant Forecasting Assumptions and Risks

Legislation requires us to state all significant forecasting assumptions and risks underlying the financial estimates¹. A number of assumptions have been made when preparing this Annual Plan, and those assumptions were agreed to by Council on 5 March 2008.

Those assumptions include:

Assumption	Probability of Occurrence	Financial Significance
• Interest rates will fluctuate over time. The Plan has been based on 2008 conditions	High	Medium
• The activities and levels of service provided by Council will not be subject to major change within the term of the document	High	High
• The District's population is projected to grow at 1.5 percent ² between census periods. Growth in the east of the District and around the Kaipara Harbour and in coastal areas is expected to continue to be relatively high compared to the rest of the District	Medium	Low
• There will be no major change in the present method of operating and funding the costs and operation of the roading network within the District during the period covered by the document, with the exception of the introduction of a target rate on forest owners to defray road maintenance costs caused by forest harvesting	High	High
• Council will continue to exist in its current form, activities and geographic area for the period covered by the document	High	High
• The continued development of the asset management plans will not disclose any major change in the levels of funding required to maintain the assets and infrastructure of Council	Medium	Medium
• Environmental standards for wastewater and stormwater discharges and community water supplies are expected to increase over time	High	High
• No major unforeseen natural event will affect the District or the infrastructure and other assets of the Council and its activities	High	High

¹ Local Government Act (LGA) 2002, Schedule 10

² NZ Statistics, Resident Population Projections (*High Scenario*) 2001 - 2006

Significant Forecasting Assumptions and Risks

Statement of Prospective Financial Information

The prospective financial statements within this document were authorised for issue by Council on 5 March 2008.

In authorising their issue, Council acknowledges responsibility for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Council does not intend to update the prospective financial statements subsequent to presentation.

The financial information contained within this document is prospective financial information in terms of Financial Reporting Standard 42. The purpose for which it has been prepared is to enable the public to participate in the decision-making processes as to the services to be provided by the Kaipara District Council to the Kaipara community during the 2008/09 financial year. It is also intended to provide a broad accountability mechanism of the Council to the community. It must be noted that the information provided may not be appropriate for purposes other than as defined above.

In relation to the standard, the financial information presented in this Annual Plan is considered to be a 'forecast'. A forecast is based on assumptions which Councillors and staff reasonably expect to occur.

No actual financial results have been used within these statements, as they have been prepared before the completion of prior financial period results. Where required for opening balance values, forecasts of the final values for the 2007/08 year have been utilised.

The actual results for the financial year 2008/09 are likely to vary from the information presented and may vary materially depending upon circumstances that arise during the three year period.

The following assumptions have been made in preparing this Plan:

- that interest rates on new loans raised during the year will be 8 percent
- that interest earned on cash funds invested will be 8 percent

Loans will be raised when needed throughout the period. Sensitivity to changes to interest rates on the borrowed funds will therefore depend both upon the interest rates actually achieved and the proportion of the period still to run when the loans are raised.

Significant Assets

- Key assumptions concerning useful asset life are detailed within this document.
- Source of funds for future replacement is explained in the Funding Impact Statement

Accounting Policies

1 Statement of Accounting Policies

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).

Basis of Preparation

The financial statements of Kaipara District Council are 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.

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

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.

Standards and interpretation issued and not yet adopted.

There are no standards, interpretations, and amendments that have been issued, but are not yet effective, that Kaipara District Council has not yet applied.

Revenue

Revenue is measured at the fair value of consideration received.

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.

Accounting Policies

Other Revenue

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

Kaipara District Council receives government grants from Land Transport New Zealand, which subsidises part of 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.

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.

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.

Accounting Policies

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.

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.

Accounting Policies

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.

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.

Accounting Policies

- Loans and receivables.

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

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the income statement. Loans and receivables are classified as “trade and other receivables” in the balance sheet.

- 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. Gains and losses when the asset is impaired or derecognised are recognised in the income statement.

Investments in this category include:

- 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.

Accounting Policies

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 consists 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.

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, it is recognised at fair value as at the date of acquisition.

Accounting Policies

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.

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 Life Years	Depreciation Straight Line %
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 ¹	-
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.

¹ Not depreciated

Accounting Policies

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.

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 and Hanna, 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.

Accounting Policies

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%
-------------------	---------	-----

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.

Accounting Policies

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.

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.

Borrowings

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

Accounting Policies

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.

Plan Figures

The plan figures are those approved by the Council at the beginning of the year in the annual plan. The plan 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.

Accounting Policies

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

The transition to NZ IFRS has not required 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.

Accounting Policies

Infrastructural assets

There are a number of assumptions and estimates used when performing DRC 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 NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the 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 of this plan.

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.

2 Changes in Accounting Policies

Accounting policies are changed only if the change is required by a Standard or Interpretation of provides more reliable and relevant information. There have been no changes in accounting policies for this Annual Plan.

Funding Impact Statement

1 Introduction

The Funding Impact Statement should be read in conjunction with Council's Revenue and Financing Policy. The present Revenue and Financing Policy is due for its 3-yearly review, and that review will be completed during 2008.

The Local Government Act 2002 requires the inclusion of the information which follows:

2 Revenue and Funding Mechanisms

Council proposes that the following revenue and financing sources be used to cover estimated expenditure levels –

- General rates
- A uniform annual general charge
- Targeted rates for water supply, wastewater disposal, stormwater disposal, land drainage, Mangawhai harbour restoration, Dargaville development, Dargaville town hall loan servicing, and Forest Owners for roading impacts
- Fees, charges and sales
- Subsidies and grants
- Sundry income and interest
- Working capital
- Depreciation funds
- Loan funds

3 General Rates

3.1 Valuation System on which the General Rates will be assessed

Council proposes to set a general rate based on the land value of each rating unit in the District.

3.2 A Uniform Annual General Charge (UAGC) will be set

Council proposes to set a uniform annual general charge. The UAGC is calculated as one fixed amount per rating unit.

3.3 Is the General Rate set Differentially?

No. Council, from 1 July 2004, sets the general rate based on undifferentiated land values across the District.

Funding Impact Statement

4 Targeted Rates

Council proposes to set targeted rates as follows:

- (a) **Water Supply** – water will be charged by quantity consumed in all six Water Supply Areas, all differentiated by location, and with an additional uniform charge per separately rateable property at Glinks Gully, and at Maungaturoto (excluding Maungaturoto Station Village Area). A non-connection fee of \$20 will apply annually to properties to which water can be provided, but which are not connected.
- (b) **Wastewater Disposal**
 - (i) A uniform annual connection fee per separately occupied or inhabited residential property, differentiated by location. A uniform non-connection fee, being 50% of the full connection fee per separately unoccupied or uninhabited residential property capable of being effectively connected to a public sewerage drain, differentiated by area.
 - (ii) A uniform annual pan charge per commercial wc or urinal, other than specified educational establishments, and differentiated by area.
 - (iii) A graduated scale of pan charges, based on a notional one pan per 20 pupils/staff members, for certain schools and educational establishments (paying sewerage charges) as defined in the Rating Powers (Special Provision for certain Rates for Educational Establishments) Amendment Act 2001, and any amending or repealing legislation in respect of that Act.
- (c) **Stormwater disposal** - an annual charge calculated on the basis of rateable land value, and differentiated by area.
- (d) **Land Drainage** - an annual charge calculated on the basis of land value, and differentiated by area.
- (e) **Mangawhai Harbour Restoration** - a uniform annual charge on every separately rateable property within the Mangawhai Harbour Restoration Rating Area.
- (f) **Dargaville Development** - an annual charge calculated on the basis of land value within the Dargaville Rating Area, and differentiated between Urban and Rural.
- (g) **Dargaville Town Hall Development Loan** - a uniform annual charge on every rateable property within the former Dargaville Borough, and the former Hobson County, and differentiated between those two Rating Areas.

Funding Impact Statement

(h) **Forest Owners for Roading Impacts** - an annual rate, calculated on land values, on owners of land classified as Exotic Forest in the Council rate roll. Small woodlots on predominantly farming land are not to be targeted.

5 Funding Forecast Statement

The table which follows sets out the revenue and financing mechanisms used, and the quantum of revenue forecast produced by each mechanism.

Funding for Operating Expenditure	LTCCP 2008/09 \$000	Annual Plan 2008/09 \$000	Variance from LTCCP \$000
General Rate	7,940	8,097	157
Uniform Annual General Charge	3,440	3,541	101
Targeted Rates	6,306	3,492	(2,814)
Development contributions	753	753	-
Fees, Charges and Sales	4,033	4,668	635
Subsidies and Grants	12,615	12,953	338
Revaluation Impacts	(835)	-	835
Sundry Income	586	586	-
Total Forecast Operating Expenditure	<u>34,838</u>	<u>34,090</u>	<u>(748)</u>

Explanation of Variances -

Targeted Rates – The re-timing of the commencement date for Mangawhai EcoCare rating revenue is the principal reason for this variance.

Fees, Charges and Sales - Higher revenue from building permits, resource consenting, and camping grounds all contributed to this variance.

Funding Impact Statement

Funding for Capital Expenditure	LTCCP 2008/09 \$000	Annual Plan 2008/09 \$000	Variance from LTCCP \$000
Depreciation Funding	11,051	11,642	591
Borrowings	10,599	3,835	(6,764)
Subsidies and Grants	526	526	-
Draw-down on Reserves	-	-	-
Total Forecast Capital Expenditure	22,176	16,003	(6,173)

Explanation of Variances -

Loans Raised - A downward revision to the overall funding of wastewater capex, through the re-timing of EcoCare, and Coastal Care.

Funding Impact Statement

Indicative Rating Levels for 2008/2009

The estimates below are indicative only, and will be recalculated on updated rating information database figures, and other relevant data, at the time of actually assessing the rates (approximately in early July).

Income From Rates

	LTCCP 2008/09 \$000	Annual Plan 2008/09 \$000	Increase/ (Decrease) %
General Rates			
Land Rate	7,940	8,097	
Uniform Annual General Charge (UAGC)	3,440	3,541	
Total General Rates	11,380	11,638	2.2%
Targeted Rates			
Land Drainage	496	541	
Stormwater	769	705	
Water	90	90	
Wastewater	4,615	1,703	
Mangawhai Harbour Restoration	108	225	
Dargaville Town Hall Loan	28	28	
Dargaville Development	106	106	
Dargaville Pool	94	94	
Forest Owners - roading impacts (see note below)	-	-	
Total Targeted Rates	6,306	3,492	(44.5%)
Total Rates (excluding GST)	17,686	15,130	(14.4%)
plus GST	2,211	1,891	
	19,897	17,021	(14.4%)

Note This estimate is premised on the expectation that Regional Development Funding will be made available by Land Transport New Zealand in 2008/09. Should that not occur, this targeted rate will be levied to produce a maximum annual revenue stream of \$570,000.

Funding Impact Statement

Rates and Charges (incl GST)

	LTCCP 2008/09 \$000	Annual Plan 2008/09 \$000	Increase/ (Decrease) %
General Rates			
Land Rate (cents in \$)	0.2542	0.2565	0.009
UAGC (flat charge)	\$337	\$337	-
Targeted Rates			
	Fee Sought \$	Fee Sought \$	Increase/ (Decrease) %
Wastewater connection fees -- (non school users)			
- Dargaville	271	271	-
- Te Kopuru	399	399	-
Maungaturoto	379	720	90%
Kaiwaka	549	549	-
Glinks Gully	611	611	-
Mangawhai (pan charge)	668	693	3.7%
Water-metered rates per cubic metre			
Dargaville	1.48	1.48	-
Glinks Gully	3.07	3.07	-
Ruawai	4.24	4.24	-
Maungaturoto			
- Station Village ⁴	1.85	1.85	-
- Other Users ⁵	1.22	1.22	-
Water - Uniform annual charges			
Glinks Gully	274	274	-
Maungaturoto	176	176	-
Mangawhai Harbour Restoration	78.80	78.80	
Dargaville Town Hall Loan -			
- Urban	10.20	10.20	-
- Rural	3.40	3.40	-

⁴ Annual minimum is \$151.00.

⁵ The free quantity remains unchanged at 100 m³.

Funding Impact Statement

	LTCCP Revenue Sought 2008/09 \$000	Annual Plan Revenue Sought 2008/09 \$000	Increase/ (Decrease) \$000
Land Drainage (based on land values)			
1 Raupo Drainage District			
- Rural A	244	244	-
- Rural B	1	1	-
- Township	12	12	-
2 Other Drainage Districts (Hobson Area)			
Aoroa	3	3	-
Arapohue No 1	8	8	-
Arapohue No 2	7	7	-
Aratapu Swamp	30	30	-
Awakino Point	10	10	-
Awakino Valley	33	33	-
Greenhill	2	2	-
Hoanga	29	66	37
Horehore	27	27	-
Kaihu	26	26	-
Kopuru Swamp	11	11	-
Koremoa	3	3	-
Manganui	8	8	-
Mangatara	14	14	-
Mititai	10	10	-
Notorious	18	18	-
Oruariki	16	16	-
Otiria	3	3	-
Owairangi	5	5	-
Tangowahine No 1	9	9	-
Tangowahine No 2	13	13	-
Tangowahine Valley	-	9	9
Tatarariki No 1	6	6	-
Tatarariki No 2	7	7	-
Tatarariki No 3	7	7	-
Tikinui	7	7	-
Whakahara	6	6	-

Funding Impact Statement

	LTCCP 2008/09 \$000	Annual Plan 2008/09 \$000	Increase/ (Decrease) \$000
Urban Stormwater (based on land values)			
Dargaville – urban differential area	475	475	-
Dargaville – rural differential area	35	35	-
Te Kopuru	16	16	-
Baylys Beach	32	32	-
Mangawhai	294	294	-
Kaiwaka	13	13	-
Dargaville Development (based on land values)			
Urban differential	99	99	-
Rural differential	2	2	-

Variations from the 2006/16 LTCCP

Council is required to report any variations between its Annual Plan and Revenue and Financing, Investment or Liability Management policies. Council has decided in this financial year to make the following allocations from the Forestry Equalisation and Reserve Contributions Funds. The Revenue and Financing Policy remains unchanged.

Activity	The Revenue and Financing Policy	2008/09 Annual Plan
Community Spaces	100% from general rates and user charges	81.1% from general rates and user charges, and 18.9% (\$398,000) from Reserves Contribution Fund.

