

FINANCIAL STATEMENTS

YOUR COMMUNITY YOUR COUNCIL YOUR FUTURE 2018/28



STATEMENT OF COMPLIANCE

THE PROSPECTIVE FINANCIAL STATEMENTS WERE AUTHORISED FOR ISSUE ON 20 JUNE 2018 BY THE COUNCIL OF THE CLUTHA DISTRICT COUNCIL.

THE COUNCIL IS RESPONSIBLE FOR THE PROSPECTIVE FINANCIAL STATEMENTS PRESENTED, INCLUDING THE APPROPRIATENESS OF THE ASSUMPTIONS UNDERLYING THE PROSPECTIVE FINANCIAL STATEMENTS AND ALL OTHER REQUIRED DISCLOSURES.

THE FINANCIAL INFORMATION CONTAINED IN THIS PLAN IS PROSPECTIVE FINANCIAL INFORMATION IN TERMS OF PBE FRS 42 'PROSPECTIVE FINANCIAL STATEMENTS', THE PURPOSE FOR WHICH IS TO ENABLE RATEPAYERS, RESIDENTS AND ALL INTERESTED PARTIES TO OBTAIN INFORMATION ABOUT THE EXPECTED FUTURE FINANCIAL PERFORMANCE, POSITION AND CASHFLOW OF COUNCIL.

NO ACTUAL FINANCIAL RESULTS ARE INCORPORATED IN THE PROSPECTIVE FINANCIAL STATEMENTS.

IT IS NOT INTENDED TO UPDATE THE PROSPECTIVE FINANCIAL STATEMENTS SUBSEQUENT TO PRESENTATION.

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE & EXPENSE

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Revenue											
Rates	25,580	26,035	26,844	27,730	28,675	29,729	30,836	31,653	32,455	33,390	34,178
Rental Revenue	923	911	930	948	968	989	1,012	1,036	1,060	1,087	1,114
Grants, Subsidies and Donations	9,873	8,920	10,617	9,670	10,023	10,107	10,447	10,605	10,749	11,452	11,762
Fees and User Charges	2,375	2,970	3,058	3,180	3,802	3,924	3,504	3,587	3,675	3,773	3,867
Permits and Licences	529	598	610	621	634	647	661	676	692	708	726
Other Income	16	9	9	9	9	10	10	10	10	10	11
Interest Income	962	1,257	1,264	1,286	1,308	1,331	1,354	1,377	1,401	1,426	1,450
TOTAL REVENUE	40,258	40,700	43,332	43,444	45,419	46,737	47,824	48,944	50,042	51,846	53,108

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PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE & EXPENSE

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Expenditure											
Employee Benefit Expense	6,452	6,920	6,765	6,879	7,008	7,169	7,264	7,412	7,549	7,700	7,908
Administration Costs	2,661	2,803	2,863	3,020	2,937	3,040	3,209	3,150	3,249	3,429	3,366
General Expenses	1,662	1,786	1,835	1,886	1,917	1,971	2,018	2,066	2,118	2,174	2,232
Operating Expenditure	13,306	13,407	13,783	14,230	15,083	15,576	15,893	16,299	16,696	17,090	17,591
Grants	1,480	1,734	2,409	1,432	1,462	1,494	1,528	1,563	1,600	1,640	1,681
Finance Costs - External Loan	0	0	474	697	839	807	775	710	584	446	328
Depreciation and Amortisation	13,275	12,581	12,951	14,285	14,735	15,131	15,824	16,392	16,861	18,068	18,636
TOTAL EXPENDITURE	38,836	39,231	41,080	42,429	43,981	45,188	46,511	47,592	48,657	50,547	51,742
Other Comprehensive Revenue and Expense											
Property, plant and equipment Revaluations	0	0	83,722	0	0	97,716	0	0	98,628	0	0
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR	1,422	1,469	85,974	1,015	1,438	99,265	1,313	1,352	100,013	1,299	1,366

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)										Continues on next page
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
ACCUMULATED FUNDS												
Opening Balance	252,133	242,457	246,066	251,156	254,728	255,996	254,291	253,252	251,210	248,029	245,299	
Add Total Comprehensive Revenue and Expense for the Year	1,423	1,468	85,974	1,016	1,437	99,265	1,314	1,351	100,013	1,300	1,364	
Transfers to Reserves		2,141	2,838	2,556	(169)	(3,254)	(2,353)	(3,393)	(4,566)	(4,030)	(3,839)	
Transfer to Asset Revaluation Reserve	0	0	(83,722)	0	0	(97,716)	0	0	(98,628)	0	0	
Closing Balance	253,556	246,066	251,156	254,728	255,996	254,291	253,252	251,210	248,029	245,299	242,824	
RESERVES												
Opening Balance	26,007	46,434	44,293	41,455	38,899	39,068	42,322	44,675	48,068	52,634	56,664	
Transfers from Accumulated Funds		(2,141)	(2,838)	(2,556)	169	3,254	2,353	3,393	4,566	4,030	3,839	
Closing Balance	26,007	44,293	41,455	38,899	39,068	42,322	44,675	48,068	52,634	56,664	60,503	
ASSET REVALUATION RESERVE												
Opening Balance	825,247	744,208	744,208	827,930	827,930	827,930	925,646	925,646	925,646	1,024,273	1,024,273	
Add Transfer from Accumulated Funds	0	0	83,722	0	0	97,716	0	0	98,628	0	0	
Closing Balance	825,247	744,208	827,930	827,930	827,930	925,717	925,646	925,646	1,024,274	1,024,273	1,024,273	

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

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(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
OTHER											
Available for Sale Revaluation Reserve - Equity Securities	0	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)
Trust Funds - Restricted	377	396	396	396	396	396	396	396	396	396	396
Closing Balance	377	371	371	371	371	371	371	371	371	371	371
EQUITY AT THE END OF THE YEAR	1,105,187	1,034,938	1,120,912	1,121,928	1,123,365	1,222,630	1,223,944	1,225,295	1,325,308	1,326,607	1,327,971

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Revenue											
Current Assets											
Cash & Cash Equivalents	190	375	542	279	250	726	1,126	2,064	2,140	2,309	2,050
Trade & Other Receivables	4,446	3,732	3,811	3,891	3,975	4,066	4,163	4,263	4,370	4,484	4,601
Inventory	0	1,000	1,020	1,040	1,062	1,085	1,110	1,136	1,163	1,192	1,222
Other financial assets	13,009	25,281	25,718	26,163	26,615	27,077	27,545	28,024	28,511	29,005	29,508
Development Property	2,824	500	0	0	0	0	0	0	0	0	0
Non-current assets held for sale	0	317	317	317	317	317	317	317	317	317	317
TOTAL CURRENT ASSETS	20,469	31,205	31,408	31,690	32,219	33,271	34,261	35,804	36,501	37,307	37,698
Non Current Assets											
Property, Plant & Equipment	1,090,588	1,015,312	1,110,137	1,117,718	1,122,972	1,220,207	1,219,522	1,217,348	1,312,812	1,309,118	1,306,541
Other Financial Assets	47	52	52	52	52	52	52	52	52	52	52
TOTAL NON CURRENT ASSETS	1,090,635	1,015,364	1,110,189	1,117,770	1,123,024	1,220,259	1,219,574	1,217,400	1,312,864	1,309,170	1,306,593
TOTAL ASSETS	1,111,104	1,046,568	1,141,597	1,149,459	1,155,243	1,253,530	1,253,836	1,253,204	1,349,365	1,346,476	1,344,291

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PROSPECTIVE STATEMENT OF FINANCIAL POSITION

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(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Current Liabilities											
Payables and Accruals	4,680	4,337	4,403	4,470	4,543	4,621	4,704	4,790	4,882	4,982	5,083
Borrowings	0	320	496	897	1,180	1,180	1,180	1,126	966	779	619
Employee Entitlements	461	482	482	482	482	482	482	482	482	482	482
TOTAL CURRENT LIABILITIES	5,141	5,139	5,381	5,849	6,205	6,283	6,366	6,398	6,330	6,243	6,184
Non Current Liabilities											
Other Liabilities	61	62	60	60	60	59	61	59	60	61	61
Borrowings	0	5,680	14,493	20,873	24,864	23,807	22,717	20,700	16,916	12,817	9,326
Provisions	721	750	750	750	750	750	750	750	750	750	750
TOTAL NON CURRENT LIABILITIES	782	6,492	15,303	21,683	25,674	24,616	23,528	21,509	17,726	13,628	10,137
TOTAL LIABILITIES	5,923	11,631	20,684	27,532	31,879	30,899	29,894	27,907	24,056	19,871	16,321
Accumulated Funds											
Available for Sale Revaluation Reserve - Equity Securities	0	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)
Asset Revaluation Reserve	825,618	744,208	827,930	827,930	827,930	925,646	925,646	925,646	1,024,273	1,024,273	1,024,273
Trust Funds - Restricted	377	396	396	396	396	396	396	396	396	396	396
Reserves	26,378	44,293	41,455	38,899	39,068	42,322	44,675	48,068	52,634	56,664	60,503
EQUITY	1,105,181	1,034,938	1,120,912	1,121,928	1,123,365	1,222,630	1,223,944	1,225,295	1,325,308	1,326,607	1,327,971
NET CURRENT ASSET POSITION	15,328	26,066	26,027	25,841	26,014	26,988	27,895	29,406	30,171	31,064	31,514

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PROSPECTIVE STATEMENT OF CASHFLOWS

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
CASHFLOW FROM OPERATING ACTIVITIES											
Receipts from customers, rates, grants and other services	39,452	39,443	42,192	42,359	44,086	45,282	46,295	47,567	48,641	50,421	51,657
Interest received	805	1,257	1,264	1,286	1,308	1,331	1,354	1,377	1,401	1,426	1,450
Payments to suppliers and employees	(25,561)	(26,651)	(28,160)	(28,177)	(29,280)	(30,092)	(30,728)	(31,241)	(31,838)	(32,524)	(33,153)
NET CASHFLOW FROM OPERATING ACTIVITIES	14,696	14,049	15,171	15,268	16,139	16,646	17,096	17,703	18,204	19,323	19,954
CASHFLOW FROM INVESTING ACTIVITIES											
Receipts from the sale of PP&E	2,306	0	0	0	0	0	0	0	0	0	0
Purchase of PP&E	(27,776)	(23,360)	(24,056)	(21,865)	(19,990)	(14,651)	(15,136)	(14,221)	(13,695)	(14,373)	(16,060)
(Acquisition) / sale of other financial assets	10,850	(138)	(438)	(446)	(453)	(461)	(469)	(477)	(486)	(494)	(503)
(Acquisition) / sale of development property	0	2,324	500	0	0	0	0	0	0	0	0
NET CASH FROM INVESTING ACTIVITIES	(14,620)	(21,174)	(23,994)	(22,311)	(20,443)	(15,112)	(15,605)	(14,698)	(14,181)	(14,867)	(16,563)

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PROSPECTIVE STATEMENT OF CASHFLOWS

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
CASHFLOWS FROM FINANCING ACTIVITIES											
Proceeds from borrowings	0	6,000	9,300	7,500	5,300	0	0	0	0	0	0
Repayment of borrowings	0	0	(310)	(720)	(1,025)	(1,058)	(1,091)	(2,067)	(3,947)	(4,287)	(3,650)
TOTAL CASHFLOW FROM FINANCING ACTIVITIES	0	6,000	8,990	6,780	4,275	(1,058)	(1,091)	(2,067)	(3,947)	(4,287)	(3,650)
Net increase (decrease) in cash and cash equivalents	76	(1,125)	167	(263)	(29)	476	400	938	76	169	(259)
Cash and cash equivalents at beginning of the year	114	1,500	375	542	279	250	726	1,126	2,064	2,140	2,309
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	190	375	542	279	250	726	1,126	2,064	2,140	2,309	2,050

RECONCILIATION OF NON-EXCHANGE & EXCHANGE REVENUE

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Revenue from non-exchange transactions											
Rates	25,580	26,035	26,844	27,730	28,675	29,729	30,836	31,653	32,455	33,390	34,178
TOTAL NON - EXCHANGE REVENUE	25,580	26,035	26,844	27,730	28,675	29,729	30,836	31,653	32,455	33,390	34,178
Revenue from exchange transactions											
Rental Revenue	923	911	930	948	968	989	1,012	1,036	1,060	1,087	1,114
Grants, subsidies & Donations	9,873	8,920	10,617	9,670	10,023	10,107	10,447	10,605	10,749	11,452	11,762
Fees and User Charges	2,375	2,970	3,058	3,180	3,802	3,924	3,504	3,587	3,675	3,773	3,867
Permits and Licences	529	598	610	621	634	647	661	676	692	708	726
Other Income	16	9	9	9	9	10	10	10	10	10	11
Interest Income	962	1,257	1,264	1,286	1,308	1,331	1,354	1,377	1,401	1,426	1,450
TOTAL EXCHANGE REVENUE	14,678	14,665	16,488	15,714	16,744	17,008	16,988	17,291	17,587	18,456	18,930
TOTAL REVENUE	40,258	40,700	43,332	43,444	45,419	46,737	47,824	48,944	50,042	51,846	53,108

RECONCILIATION OF CASHFLOW TO COMPREHENSIVE REVENUE & EXPENSE

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR	1,422	1,469	85,974	1,015	1,438	99,265	1,313	1,352	100,013	1,299	1,366
Add non-cash items											
Revaluation of Property, Plant and equipment	0	0	(83,722)	0	0	(97,716)	0	0	(98,628)	0	0
Working Capital Inflation		0	(32)	(34)	(33)	(37)	(38)	(41)	(43)	(43)	(47)
Depreciation and Amortisation	13,273	12,581	12,951	14,286	14,734	15,133	15,822	16,392	16,862	18,067	18,636
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	14,695	14,050	15,171	15,268	16,139	16,646	17,097	17,703	18,204	19,323	19,955

RECONCILIATION OF COUNCIL FIS TO ACTIVITY FIS

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Community Leadership	100	(175)	20	55	42	25	59	66	69	71	75
Economic & Community Development	(48)	(130)	(1,045)	(20)	(20)	(19)	(20)	(19)	(19)	(19)	(18)
Roading	3,979	3,857	3,678	3,573	3,831	3,873	4,193	4,448	4,449	4,794	4,926
Water Supply	1,839	2,083	2,224	2,319	2,902	3,061	2,725	2,891	3,044	3,195	3,391
Sewerage	863	938	1,048	1,126	917	1,049	1,116	1,174	1,215	1,264	1,324
Stormwater	219	306	332	339	357	370	379	400	406	413	427
Solid Waste Management	176	92	149	302	233	107	106	115	117	116	123
Community Services	407	645	671	696	748	744	765	838	979	792	818
Regulatory & Emergency Services	(89)	71	73	72	81	81	81	79	80	81	87
Internal Services	1,520	1,278	1,379	1,353	1,341	1,526	1,582	1,556	1,655	1,751	1,779
SURPLUS/(DEFICIT) OF OPERATING FUNDING PER ACTIVITIES FIS	8,966	8,966	8,530	9,815	10,432	10,817	10,986	11,547	11,995	12,459	12,931
OVERALL FIS	8,966	8,966	8,530	9,815	10,432	10,817	10,986	11,547	11,995	12,459	12,931

DEPRECIATION & AMORTISATION

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Buildings	382	382	383	390	390	390	390	396	396	401	401
Furniture and Equipment	175	575	576	576	576	576	576	576	576	576	576
Plant and Motor Vehicles	210	210	307	555	555	461	3	51	0	0	3
Library Books	130	130	130	130	130	130	130	130	130	130	130
Roads	9,603	8,471	8,506	9,256	9,319	9,383	10,243	10,315	10,389	11,234	11,314
Stormwater	264	284	315	351	401	451	477	534	595	630	724
Sewerage	819	833	861	991	1,112	1,237	1,320	1,451	1,581	1,687	1,823
Water	1,692	1,697	1,872	2,035	2,253	2,504	2,684	2,939	3,194	3,410	3,665
PROSPECTIVE DEPRECIATION AND AMORTISATION	13,275	12,581	12,951	14,285	14,735	15,131	15,824	16,392	16,861	18,068	18,636

STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Clutha District Council (“the Council or CDC”) is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled in New Zealand. The relevant legislation governing the Council’s operations includes the LGA and the Local Government (Rating) Act 2002.

The Council’s principle address is 1 Rosebank Terrace, Balclutha New Zealand. The Council provides local infrastructure, local public services, and performs regulatory functions to the community. The Council does not operate to make a financial return.

The Council has designated itself as a public benefit entity (PBE) for the purposes of complying with generally accepted accounting practice.

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with and comply with Tier 1 PBE standards. The financial statements are fully compliant with the

requirements of PBE FRS 42.

BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis and the accounting policies have been applied consistently throughout the period.

PRESENTATION CURRENCY AND ROUNDING

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

GOODS AND SERVICES TAX

Items in the financial statements are stated exclusive of GST, except for receivables and payables, which are pre-

sented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

REVENUE ACCOUNTING POLICY

Revenue is measured at fair value.

Each significant activity is stated gross of internal costs and revenues, and includes targeted rates attributable to activities. In order to fairly reflect the total external operations for Council in the

statement of comprehensive revenue and expenditure, these transactions are eliminated.

Council receives its revenue from exchange or non-exchange transactions.

Exchange transaction revenue arises when Council provides goods or services to a third party and directly receives approximately equal value in return.

Non-exchange transaction revenue arises when Council receives value from another party without giving approximately equal value directly in exchange for the value received. Non-exchange revenue comprises rates and transfer revenue.

Transfer revenue includes grants and subsidies and fees and user charges derived from activities that are partially funded by rates.

The specific accounting policies for significant revenue items are explained below:

Type	Recognition and measurement
Rates revenue	<p>The following policies for rates have been applied:</p> <ul style="list-style-type: none"> General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. <p>Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.</p>

Grants

- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year-end, is accrued on an average usage basis.
- Rates remissions are recognised as a reduction of rates revenue when Council has received an application that satisfies its rates remission policy.

Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met.

If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Financial contributions

Financial contributions are recognised as revenue when Council provides, or is able to provide, the service for which the contribution was charged. Otherwise, financial contributions are recognised as liabilities until such time as Council provides, or is able to provide, the service.

New Zealand Transport Agency roading subsidies

Council receives funding assistance from the New Zealand Transport Agency (NZTA), which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Vested or donated physical assets

For assets received for no or nominal consideration, the asset is recognised at its fair value when Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset. The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (for example, land must be used as a recreation reserve), Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if Council expects that it will need to return or pass the asset to another party.

Infringement fees and fines

When the infringement notice is issued.

Interest revenue

Interest revenue is recognised using the effective interest method.

Dividend revenue

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

Water and wastewater user charges

When invoiced or accrued in the case of unbilled services at fair value of cash received or receivable.

Sale of goods	Revenue from the sale of goods is recognised when a product is sold to the customer.
Sale of services	On a percentage of completion basis over the period of the service supplied.
Building and resource consent revenue	Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date. Partially refundable after administration and inspection fees if application is cancelled.
Licence and permit fees	On receipt of application as these are non-refundable.
Entrance fees	Entrance fees are fees charged to users of Council's local facilities, such as the pools. Revenue from entrance fees is recognised upon entry to such facilities.
Landfill fees	Fees for disposing of waste at Council's landfill are recognised as waste is disposed by users.

OPERATING EXPENDITURE ACCOUNTING POLICIES

GRANTS AND SUBSIDIES

Council's grants awarded have no substantive conditions attached.

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 Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by Council and the approval has been communicated to the applicant.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Intangible assets subsequently measured at cost that have indefinite useful life are tested annually for impairment. Property, plant and equipment and intangible assets subsequently measured at cost that have finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any indication exists, the Council estimates the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

An impairment loss is recognised in surplus or deficit in the statement of comprehensive revenue and expenditure for the amount by which the asset's carrying amount exceeds its recoverable amount.

Assets are considered cash generating if their primary objective is to provide a commercial return. The value in use for cash-generating assets is the present value of expected future cash flows.

For non-cash generating assets, value in use is determined using an approach based on a depreciated replacement cost (DRC).

Property, plant and equipment that is measured at fair value, is not required to be separately tested for impairment.

GROUP OF ACTIVITIES

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

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that 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.

There have been no changes to the cost allocation methodology during the period.

PERSONNEL COSTS ACCOUNTING POLICY

Personnel costs for salaries and wages, annual leave, long service leave and other similar benefit are recognised as an expenditure and liability when they accrue to employees.

DEPRECIATION AND AMORTISATION ACCOUNTING POLICY

Depreciation is provided on all property, plant and equipment except for land, land under forests, road formation and land under roads. Depreciation is calculated to write down the cost or revalued amount of the assets on a straight line basis over their useful economic lives.

Amortisation is provided on intangible assets, except rights to acquire, and is calculated to write down the cost of the assets on a straight line basis over their useful economic lives.

FINANCE COSTS ACCOUNTING POLICY

Finance costs include interest expenditure, the unwinding of discounts on provisions and financial assets; and net realised losses on the early close-out of derivatives. Interest expenditure is recognised using the effective interest rate method. Interest expenditure includes the amortisation of borrowing costs recognised over the borrowing term. Borrowing costs are recognised as an expense in the financial year in which they are incurred.

NET GAINS AND LOSSES ACCOUNTING POLICY

Net other gains and losses on the sale of property plant and equipment, property intended for sale and financial assets are recognised when an unconditional contract is in place and it is probable that Council will receive the

consideration due.

INCOME TAX ACCOUNTING POLICY

Council is exempt from income tax under the Income Tax Act 2007.

PROPERTY, PLANT AND EQUIPMENT ACCOUNTING POLICY

Property, plant and equipment consist of:

- **Operational Assets**
Land, buildings, furniture and equipment, plant and motor vehicles, land under forests and library books.
- **Infrastructural Assets**
Infrastructural assets are the fixed utility systems owned by Council. Each asset class includes all items that are required for the network to function:
 - Roads, bridges and lighting.
 - Land under roads.
 - Stormwater.
 - Wastewater.
 - Water.

Land (operational and restricted), buildings (operational and restricted), and library books are measured at cost less accumulated depreciation, and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

- **Restricted Assets**
Restricted assets are mainly parks and reserves owned by Council that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

REVALUATION

Infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

Revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expenditure and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expenditure but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

ADDITIONS

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

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

The following estimated useful lives are used in the calculation of depreciation:

	YEARS	DEPRECIATION RATE
Operational Assets		
Land	n/a	Not depreciated
Buildings	40-50	2% - 2.5%
Furniture and Equipment	3-10	10% - 33.3%
Plant and Motor Vehicles	3-10	10% - 33.3%
Land Under Forest	n/a	Not depreciated
Library Books	7	14.3%
Infrastructural Assets		
Roads - Formation	n/a	Not depreciated
Roads - Pavement (Sealed)	2-100	1%-50%
Roads - Pavement (Unsealed)	35-100	1%-2.86%
Roads - Other Roding Assets	20-150	0.6%-5%
Roads - Other	10-50	2%-10%
Roads - Bridges	50-150	0.6%-2%
Land Under Roads	n/a	Not depreciated
Stormwater	20-100	1-5%
Wastewater	20-100	1-5%
Water	20-100	1-5%

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each balance date.

DISPOSALS

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

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 carrying value 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 per table.

IMPAIRMENT OF PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment that have a finite useful life are reviewed for impairment at each balance date and 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 its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

From the 30 June 2017 year onwards, Council is required to assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, Council is required to assess the recoverable amount of that asset and recognise an impairment loss if the recoverable amount is less than the carrying amount. Council can therefore impair a revalued asset without having to revalue the entire class of asset to which the asset belongs. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expenditure and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

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

VALUE IN USE FOR NON-CASH-GENERATING ASSETS

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

VALUE IN USE FOR CASH-GENERATING ASSETS

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

INTANGIBLE ASSETS ACCOUNTING POLICY

SOFTWARE ACQUISITION AND DEVELOPMENT

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

Costs that are directly attributable to the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of Council's website are recognised as an expense when incurred.

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 financial year is recognised in the surplus or deficit.

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

Computer software	3 to 5 years	20% to 33.3%
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IMPAIRMENT OF INTANGIBLE ASSETS

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

NON-CURRENT ASSETS HELD FOR SALE ACCOUNTING POLICY

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle.

Gains or losses arising on initial recognition of forestry assets at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell are recognised in the surplus or deficit.

Forestry maintenance costs are recognised in the surplus or deficit when incurred.

BORROWINGS ACCOUNTING POLICY

Borrowings are initially recognised at face value plus trans-

action costs and are subsequently measured at amortised cost using the effective interest rate method.

DERIVATIVE FINANCIAL INSTRUMENTS ACCOUNTING POLICY

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the statement of financial position when Council becomes a party to contractual provisions of the instrument. Council is party to financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, other financial assets, trade and other receivables, trade and other payables and borrowings. The relevant accounting policies are stated under separate headings.

FINANCIAL ASSETS

Financial assets are classified into the following specified categories:

- Financial assets 'at fair value through surplus or deficit';
- 'Available-for-sale' financial assets, and
- 'Loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method, referred to below, is a meth-

od of calculating the amortised cost of a financial asset and of allocating interest revenue over the relevant period. The effective interest rate is the interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

FINANCIAL ASSETS AT FAIR VALUE THROUGH SURPLUS OR DEFICIT

Financial assets are classified as financial assets at fair value through surplus or deficit where the financial asset:

- Has been acquired principally for the purpose of selling in the near future;
- Is a part of an identified portfolio of financial instruments that Council manages together and has a recent actual pattern of short term profit-taking; or
- Is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through surplus or deficit are stated at fair value, with any resultant gain or loss recognised in the Statement of comprehensive revenue and expenditure. The net gain or loss is recognised in the Statement of comprehensive revenue and expenditure and incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described later in this note.

Council has classified its managed funds, held with Nikko Asset Management, as financial assets at fair value through surplus or deficit.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are those that are designated as fair value through other statement of comprehen-

sive revenue or expenditure or are not classified in any of the other categories. This category encompasses investments that Council intends to hold long-term but which may be realised before maturity and equity securities held for strategic purposes.

Equity securities have been classified as being available-for-sale and are stated at fair value.

Fair value is determined in the manner described later in this note. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve; with the exception interest calculated using the effective interest method and impairment losses which are recognised directly in the Statement of comprehensive revenue and expenditure. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in the Statement of comprehensive revenue and expenditure for the period.

Dividends on available-for-sale equity securities are recognised in the Statement of comprehensive revenue and expenditure when Council's right to receive payments is established.

LOANS AND RECEIVABLES

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. An allowance for doubtful debts is established when there is objective evidence that Council will not be able to collect all amounts due according to the original terms

of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is expensed in the Statement of comprehensive revenue and expenditure.

Loans, including loans to community organisations made by 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 Statement of comprehensive revenue and expenditure as a grant.

Money Market Deposits are included within this classification.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at fair value through surplus or deficit, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against

the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of comprehensive revenue and expenditure.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of comprehensive revenue and expenditure to the extent the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

FINANCIAL LIABILITIES

TRADE AND OTHER PAYABLES

Trade payables and other accounts payable are recognised when Council becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method.

BORROWINGS

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Statement of comprehensive revenue and expenditure over the period of the borrowing using the effective interest method.

DERIVATIVE FINANCIAL INSTRUMENTS

From time to time Council enters into certain derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps.

Council does not hold derivative financial instruments for speculative purposes.

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

Derivative instruments entered into by Council do not qualify for hedge accounting. The resulting gain or loss is recognised in the Statement of comprehensive revenue and expenditure immediately.

There were no derivative financial instruments held by Council.

- **Fair Value Estimation**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. The quoted market price used for financial assets held by Council is the current bid price; the appropriate quoted market price for financial liabilities is the current offer price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. 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 investment and debt instruments held.

- **Assets Held For Sale**

Assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a

sale transaction rather than through continuing use. 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 assets held for sale are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Assets (including those that are part of a disposal) are not depreciated or amortised while they are classified as held for sale.

OTHER FINANCIAL ASSETS ACCOUNTING POLICY

Other financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Other financial assets include unit trusts, loans to related parties, credit support annex, bonds, borrower notes, community loans and listed and unlisted shares.

FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS ACCOUNTING POLICY

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The carrying amount of financial assets and financial liabilities are recorded at amortised cost in the financial statements which approximates their fair values.

Fair value measurements recognised in the Statement of comprehensive revenue and expenditure. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, reconciled into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

FAIR VALUE HIERARCHY ACCOUNTING POLICY

For the purpose of measurement financial assets and liabilities are classified into categories. The classification depends on the purpose for which the financial assets and liabilities are held.

Management determines the classification of financial assets and liabilities and recognised these at fair value at initial recognition. Subsequent measurement and the treatment of gains and losses are presented below:

Categories	Subsequent measurement	Treatment of gains and losses
Fair value through surplus or deficit	Fair value	Surplus or deficit
Loans and receivables	Amortised cost less provision for impairment	Surplus or deficit
Available for sale financial assets	Fair value	Other comprehensive revenue and expenditure
Financial liabilities at amortised cost	Amortised cost	Surplus or deficit
Held to maturity financial assets	Amortised cost less provision for impairment	Surplus or deficit

Council does not have financial assets for purposes of trading. Council has listed shares and unit trusts that are designated on initial recognition at fair value through surplus or deficit. This is because the performances of these groups of assets are managed, and performance evaluated, on a fair value basis, in accordance with Council's investment management policy. Derivatives are, by their nature, categorised as held for trading unless they are designated into a hedge relationship for which hedge accounting is applied.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when offset is legally enforceable and there is an intention to settle on a net basis. Revenue and expenditures arising as a result of financial instrument earnings or fair value adjustments are recognised as a net result for like items.

CASH AND CASH EQUIVALENTS ACCOUNTING POLICY

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

RECEIVABLES AND PREPAYMENTS ACCOUNTING POLICY

Short-term receivables are recorded at the amount due, less any provision for uncollectability. A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

FAIR VALUE

Receivables are generally short-term and non-interest bearing. Therefore, the carrying value of receivables approximates their fair value.

PROVISION FOR IMPAIRMENT OF RECEIVABLES ACCOUNTING POLICY

ASSESSMENT FOR UNCOLLECTABILITY

Council does not normally provide for any uncollectability on rates receivable, as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow Council to commence legal proceedings to recover any rates that remain unpaid four months after due date for payment. If payment has not been made within three months of the Court's judgment, then Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value of future payments if the effect of discounting is material. Council provides for impairment on rates receivables only for abandoned land and properties at rating sales with little chance of recovery.

All receivables more than 30 days in age are considered to be past due.

The provision for uncollectability has been calculated based on a review of specific overdue receivables and a collective assessment. The collective assessment is based on an analysis of past collection history and debt write offs.

Individually impaired receivables have been determined to be impaired because of the significant

financial difficulties being experienced by the debtor.

Council holds no other collateral as security or other credit enhancements over receivables that are either past due or uncollectable.

Other than NZTA, the Council has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers. Council believes no further credit provision is required in excess of the allowance for doubtful debts.

PAYABLE & ACCRUALS ACCOUNTING POLICY

Current payables and accruals are recognised at cost. Current payables and accruals are non-interest bearing and normally settled on 30-day terms; therefore the carrying value approximates fair value. Non-current payables and accruals are measured at the present value of the estimated future cash outflows.

EMPLOYEE ENTITLEMENTS ACCOUNTING POLICY

Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. The liability for long-term employee entitlements is reported at the present value of estimated future cash outflows.

PROVISIONS ACCOUNTING POLICY

Provisions are recognised in the statement of financial position only where Council has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably. Provisions are measured at the present value of the expected future cash outflows required to settle the obligation. The increase in the provision due to the passage of time is recognised as finance cost in surplus or deficit.

EQUITY ACCOUNTING POLICY

Equity is the community's interest in Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- Accumulated funds;
- Restricted reserves;
- Property revaluation reserve; and
- Fair value through other comprehensive revenue and expenditure reserve.

RESTRICTED 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 Council.

Restricted reserves include those subject to specific conditions accepted as binding by Council and which may not be revised by Council without reference to the Courts

or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

PROPERTY REVALUATION RESERVE

This reserve relates to the revaluation of property, plant, and equipment to fair value.

FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE RESERVE

This reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expenditure.

CAPITAL MANAGEMENT

Council's capital is its equity (or ratepayers' funds), which comprise accumulated funds and reserves. Equity is represented by net assets.

The LGA requires 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.

The objective of managing these items is to achieve inter-

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

The LGA requires Council to make adequate and effective provision in its Long-Term Plan (LTP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. The LGA also sets out the factors that 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 Council's LTP.

Council has the following Council-created reserves:

- Reserves for different areas of benefit;
- Self-insurance reserves; and
- Trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from payers of general rates. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds can generally be approved only by Council.

Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable, and deductions are made where

funds have been used for the purpose they were donated.

NON-CURRENT ASSETS HELD FOR SALE ACCOUNTING POLICY

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs are recognised in the surplus or deficit.

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

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

DEVELOPMENT PROPERTY ACCOUNTING POLICY

Development Properties are measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for the development properties less all estimated costs to make the sale.

CONTINGENCIES, COMMITMENTS AND SUBSEQUENT EVENTS ACCOUNTING POLICY

Contingent liabilities and contingent assets are not recognised in the financial statements due to their uncertainty or the fact that they cannot be reliably measured. Disclosures are provided for as follows:

- Contingent liabilities are disclosed unless the possibility that these will crystallise is remote.
- Contingent assets are only disclosed when the possibility that these will crystallise is probable.

LEASE COMMITMENTS ACCOUNTING POLICY

Leases which effectively transfer to the lessee substantially all the risks and benefits incident to ownership of the leased item are classified as finance leases.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases.

SIGNIFICANT JUDGEMENTS & ESTIMATES

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future.

These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other fac-

tors, 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 ten years are:

- Estimating the fair value and useful lives of land, buildings, and infrastructural assets
- Estimating the landfill aftercare provision.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

- **Classification of property.**

SIGNIFICANT JUDGEMENTS & ESTIMATES

Estimating the fair value of infrastructure

- The most recent valuation of infrastructural assets effective 30 June 2017 was performed by:
 - Stormwater, wastewater and water infrastructural assets were valued at depreciated replacement cost as at 30 June 2017 by Council staff and reviewed by Rationale Limited.
 - The roading infrastructural assets (excluding land under roads) were revalued at depreciated replacement cost at 30 June 2017 by MWH Limited (Stantec).

Sewerage, water, drainage, and roading infrastructural assets are valued using the depreciated replacement cost method. There are a number of estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method. These include:

- Estimating the replacement cost of the asset. The replacement cost of an asset is based on recent con-

struction contracts in the region for modern equivalent assets, from which unit rates are determined. Unit rates have been applied to components of the network based on size, material, depth, and location. If recent contract cost information is considered out of date, it is indexed using Statistics New Zealand's Capital Goods Price Index (based on the March 2017 quarter index) for civil constructions to convert them to current dollar value at the valuation date.

- Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected 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 Council could be over- or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expenditure. To minimise this risk, 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 asset management planning activities, which provides further assurance over useful life estimates.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

CLASSIFICATION OF PROPERTY

Council owns a number of properties held to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding them. These properties are held for service delivery objectives as part of Council's social housing policy. The properties are therefore accounted for as property, plant and equipment rather than investment property.

SIGNIFICANT JUDGEMENTS & ESTIMATES USED IN THE VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS

Council's derivatives are all under level 2 of the fair value hierarchy. The fair values of level 2 derivatives are determined using discounted cash flows valuation technique based on the terms and valuation inputs from independently sourced market parameters summarised (right):

Item	Valuation input
Interest rate swaps	Forward interest rate yield

SIGNIFICANT JUDGEMENTS & ESTIMATES

The management of the Mt Cooee landfill will influence the timing of recognition of some future liabilities. However, it is likely that the main restriction on the future use of the

current site will be the statutory and regulatory limitations rather than the capacity of the site. At the current rates of usage there will be significant volumetric capacity remaining in 2023.

The cash outflows for closed landfills are expected to occur until 2026. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and using a discount rate of 6%.

Other assumptions made in the calculation of the provision are:

- No major capital projects will be required at existing closed landfill sites and
- The Mt Cooee Landfill will close when the current consent expires in 2023.

STANDARDS ISSUED AND NOT YET EFFECTIVE, AND NOT EARLY ADOPTED

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

FINANCIAL INSTRUMENTS

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes

under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

Council has not yet assessed the effects of the new standard.

As the forecasts have been prepared under current accounting standards, any impact of changes in the future have not been included in the forecasts.

SCHEDULE OF RESERVE FUNDS

FUND	Type/ Purpose	Opening balance as at 1 July 2018	Transfers into the fund during the period	Interest Earned on the fund during the period	Transfers out of the fund during the period	Closing balance as at 30 June 2028
Internal Services						
Policy	Spec	171	20	30	219	2
Human Resources	Spec	18	-	7	-	26
Gratuities	Spec	73	-	29	-	102
	Spec	238	594	216	-	1,048
Cars	Spec	533	2,647	215	2,648	747
Information Technology	Depn	(238)	2,065	4	1,572	259
Community Leadership						
Election Fund	Spec	113	15	19	147	0
Clutha Gold Trail	Spec	94	-	16	110	0
Lawrence Community Board	Spec	29	-	12	-	41
Opportunities Fund	Spec	39	-	16	-	55
Tuapeka Bursary	Spec	36	-	15	-	51
Welcome to Signage	Spec	4	-	2	-	6
Signage	Spec	7	-	3	-	10
West Otago Community Board	Spec	103	-	42	-	145

SCHEDULE OF RESERVE FUNDS

FUND	Type/ Purpose	Opening balance as at 1 July 2018	Transfers into the fund during the period	Interest Earned on the fund during the period	Transfers out of the fund during the period	Closing balance as at 30 June 2028
Community Services						
Service Centres	Spec	224	-	91	-	315
Service Centres	Depn	73	-	29	-	102
Library	Depn	42	1,431	28	1,379	122
Kaitangata Pool	Spec	80	-	32	-	112
Lawrence Pool	Spec	45	-	18	-	63
Balclutha Pool	Depn	0	553	28	415	166
Kaitangata Pool	Depn	200	-	81	-	281
Lawrence Pool	Depn	131	-	-	-	131
Milton Pool	Depn	18	264	61	0	343
Grandstand 2000	Spec	147	-	59	-	206
Parks and Reserves	Depn	104	161	61	69	257
Sports Grounds	Depn	250	-	86	72	264
Kaka Point Camping Ground	Depn	64	115	38	57	160
Naish Park Camping Ground	Depn	47	175	46	40	228
Taylor Park Camping Ground	Depn	55	13	17	38	47
Pounaweia Camping Ground	Depn	24	78	18	38	82
Waihola Camping Ground	Depn	7	3	3	-	13
Public Toilets	Depn	282	530	193	140	865
Cemeteries	Spec	495	-	200	-	695
Kaitangata Cemetery	Spec	14	-	6	-	20
Lawrence Cemetery	Spec	28	-	11	-	39
Cemetery	Depn	170	223	93	106	380
Balclutha Town Hall	Spec	170	-	69	-	239
Balclutha Town Hall	Depn	445	506	176	527	600

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SCHEDULE OF RESERVE FUNDS

FUND	Type/ Purpose	Opening balance as at 1 July 2018	Transfers into the fund during the period	Interest Earned on the fund during the period	Transfers out of the fund during the period	Closing balance as at 30 June 2028
Community Services						
Milton Civic Centre	Depn	14	-	6	-	20
Kaitangata Hall	Depn	1	-	-	-	1
Clutha Valley Hall	Depn	54	36	24	24	90
Hillend Hall	Depn	15	34	13	-	62
Kaka Point Hall	Depn	23	73	20	20	96
Lovells Flat Hall	Depn	13	3	6	-	22
Moneymore Hall	Depn	10	3	5	-	18
Owaka Hall	Depn	63	35	13	94	17
Waiholo Hall	Depn	5	3	3	-	11
Waipahi Hall	Depn	15	7	7	-	29
Waiwera Hall	Depn	7	4	4	-	15
Waitahuna Hall	Depn	95	43	32	74	96
Various Halls	Depn	139	-	56	-	195
Other Property	Depn	122	-	49	-	171
Community Housing	Depn	721	1,155	172	1,750	298
Reserve Contributions	Spec	60	85	42	-	187
Dunrobin Recreation Reserve Board	Spec	69	-	28	-	97
Endowment Land	Spec	579	-	234	-	813
Parkhill Recreation Reserve Board	Spec	5	-	2	-	7
Waikoikoi Domain Board	Spec	16	-	7	-	23
Depots	Depn	344	-	139	-	483
Administration Office	Depn	638	787	109	1,525	9

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SCHEDULE OF RESERVE FUNDS

FUND	Type/ Purpose	Opening balance as at 1 July 2018	Transfers into the fund during the period	Interest Earned on the fund during the period	Transfers out of the fund during the period	Closing balance as at 30 June 2028
Funds Not Specifically Allocated to an Activity Group						
Emergency Fund	Spec	4,315	-	1,746	-	6,061
General Reserve	Spec	1,221	-	339	765	795
Land and Buildings	Spec	196	-	79	-	275
Tapanui Works Infrastructure Fund	Spec	8	-	3	-	11
Lawrence Heritage	Spec	27	-	8	13	22
Milton Pipe Band	Spec	14	-	3	14	3
Serdel - Externally Invested	Spec	4,949	-	2,002	-	6,951
Forestry Fund - Externally Invested	Spec	5,507	-	2,229	-	7,736
Investment Fund Balance - Externally Invested	Spec	1,5165	-	613	-	2,129
Serdel	Depn	627	-	254	-	881
Kate Leslie Trust	Trust	114	-	40	33	121
Elderly Citizens Trust (Lawrence)	Trust	30	-	12	-	42
Tapanui Domain Trust	Trust	15	-	6	-	21
Butler Trust	Trust	0	-	0	-	0
Milton Brass Band	Trust	1	-	0	-	1
O'Hara Sports Trust	Trust	2	-	1	-	23
Clinton Endowment Land	Trust	87	-	35	-	122
J D Swan Estate	Trust	9	-	4	-	13
George Melville Estate	Trust	153	-	62	-	215

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SCHEDULE OF RESERVE FUNDS

FUND	Type/ Purpose	Opening balance as at 1 July 2018	Transfers into the fund during the period	Interest Earned on the fund during the period	Transfers out of the fund during the period	Closing balance as at 30 June 2028
Regulatory & Emergency Services						
Animal Control	Depn	12	24	10	-	46
Roading						
Balclutha Main Street	Spec	56	-	23	-	79
Roading - Bridge Lights	Spec	41	-	17	-	58
Roading - Bridges	Depn	3,9663	4,396	527	9,717	(828)
Deferred Roothing	Depn	1,450	2,802	587	2,802	2,037
Waste Management						
Solid Waste	Depn	1,989	717	718	1,149	2,275

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SCHEDULE OF RESERVE FUNDS

FUND	Type/ Purpose	Opening balance as at 1 July 2018	Transfers into the fund during the period	Interest Earned on the fund during the period	Transfers out of the fund during the period	Closing balance as at 30 June 2028
Water						
Urban Water	Spec	385	-	148	39	494
Urban Water	Depn	796	7,564	517	6,603	2,274
Balmoral No.1 Plant Reserve	Spec	31	-	12	-	43
Balmoral No.2 Plant Renewal	Spec	130	-	53	-	183
Glenkenich R.W.S. Renewal	Spec	1	-	0	-	1
Moa Flat R.W.S. Pump Reserve	Spec	2	-	1	-	3
Richardson R.W.S. Renewal	Spec	494	-	200	-	694
Stirling Water Treatment Plant	Spec	170	-	69	-	239
Wangaloa Plant Renewal	Spec	15	-	6	-	21
Balmoral 1	Depn	314	247	124	261	424
Balmoral 2	Depn	229	564	145	304	635
Clydevale/Pomahaka	Depn	184	1,357	192	778	955
Glenkenich	Depn	328	1,338	79	1,601	144
Kaitangata Treatment Plant	Depn	189	489	170	26	822
Moa Flat	Depn	385	1,351	83	1,708	111
North Bruce	Depn	124	1,133	149	644	762
Richardson	Depn	629	1,311	311	1,034	1,217
South Bruce	Depn	256	223	110	193	396
Stirling Treatment Plant	Depn	110	415	122	35	612
Tuapeka	Depn	136	879	187	225	977
Waipahi	Depn	231	299	154	-	684
Waitahuna	Depn	309	532	207	128	920
Wangaloa	Depn	117	148	44	164	145

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SCHEDULE OF RESERVE FUNDS

FUND	Type/ Purpose	Opening balance as at 1 July 2018	Transfers into the fund during the period	Interest Earned on the fund during the period	Transfers out of the fund during the period	Closing balance as at 30 June 2028
Water						
Sewerage	Spec	861	-	346	13	1,194
Urban Sewerage	Depn	3,986	9,070	1,251	10,860	3,447
Milton Stormwater	Spec	22	-	9	-	31
Urban Stormwater	Depn	2,198	3,066	818	3,421	2,661
Telemetry	Spec	165	-	67	-	232
Telemetry	Depn	358	-	145	-	503
TOTAL RESERVE FUNDS		46,803	49,586	18,0878	53,594	60,878

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