

FINANCIAL STATEMENTS

OUR PLACE CLUTHA DISTRICT COUNCIL LONG TERM PLAN 2021/31



STATEMENT OF COMPLIANCE

THE PROSPECTIVE FINANCIAL STATEMENTS WERE AUTHORISED FOR ISSUE ON 24 JUNE 2021 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.

THE ACTUAL RESULTS ACHIEVED FOR ANY GIVEN FINANCIAL YEAR ARE LIKELY TO VARY FROM THE INFORMATION PRESENTED AND MAY VARY MATERIALLY DEPENDING UPON THE CIRCUMSTANCES THAT ARISE DURING THE PERIOD. THE PROSPECTIVE FINANCIAL INFORMATION IS PREPARED IN ACCORDANCE WITH SECTION 93 OF THE LOCAL GOVERNMENT ACT 2002. THE INFORMATION MAY NOT BE SUITABLE FOR USE IN ANY OTHER CAPACITY.

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE & EXPENSE

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Revenue											
Rates	27,374	28,479	29,599	30,778	33,017	34,616	35,329	35,935	37,214	38,046	38,886
Grants, Subsidies and Donations	10,175	11,098	10,534	10,646	11,632	12,238	11,870	12,016	11,303	11,928	11,792
Fees and User Charges	863	1,099	1,707	1,464	1,030	1,059	1,088	1,099	1,130	1,161	1,193
Permits and Licences	756	936	963	991	1,019	1,049	1,077	1,088	1,118	1,150	1,181
Other Fees	1,213	1,325	1,446	1,574	1,611	1,667	1,723	1,757	1,804	1,851	1,897
Rental Revenue	948	1,031	1,060	1,089	1,118	1,149	1,179	1,190	1,222	1,255	1,287
Interest Revenue	778	1,073	1,037	1,021	1,015	1,022	1,030	1,038	1,046	1,054	1,063
Other Revenue	429	73	141	142	362	2,125	17,766	2,347	144	144	145
Other Gains	1,219	1,435	1,558	1,604	1,650	1,698	1,744	1,761	1,811	1,861	1,912
TOTAL REVENUE	43,755	46,549	48,045	49,309	52,454	56,623	72,806	58,231	56,792	58,450	59,356

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE & EXPENSE

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(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Expenditure											
Grants, Contributions and Sponsorship	1,380	8,872	2,857	1,478	1,435	1,436	1,436	1,451	1,420	1,420	1,420
Other Operating Expenditure	12,538	14,179	14,699	15,390	15,712	16,197	16,754	16,790	17,301	17,946	18,272
Roading Repairs and Maintenance	5,952	6,817	6,337	6,416	7,237	7,523	7,652	7,820	8,005	8,184	8,405
Employee Benefits	7,648	8,098	8,048	8,208	8,425	8,626	8,843	8,977	9,156	9,386	9,621
Depreciation and Amortisation	13,213	14,210	14,785	15,793	16,226	16,451	17,731	18,144	18,235	19,189	19,339
Finance Costs - External Loan	568	689	1,057	1,416	1,747	1,912	2,015	2,178	2,228	2,168	2,138
TOTAL EXPENDITURE	41,299	52,865	47,783	48,701	50,782	52,145	54,431	55,360	56,345	58,293	59,195
SURPLUS (DEFICIT) FOR THE YEAR	2,456	(6,316)	262	608	1,672	4,478	18,375	2,871	447	157	161
Other Comprehensive Revenue and Expense											
Property, plant and equipment Revaluations	0	0	85,315	0	0	117,843	0	0	130,040	0	0
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR	2,456	(6,316)	85,577	608	1,672	122,321	18,375	2,871	130,487	157	161

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PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)										Continues on next page
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	
ACCUMULATED FUNDS												
Opening Balance	224,150	235,295	234,168	235,740	233,357	232,381	233,640	248,344	247,120	241,300	235,552	
Add Total Comprehensive Revenue and Expense for the Year	2,456	(6,319)	85,576	606	1,673	122,324	18,377	2,872	130,491	157	160	
Transfers to Asset Revaluation Reserve	0	0	(85,315)	0	0	(117,843)	0	0	(130,040)	0	0	
Transfer to Reserves	5,069	5,192	1,309	(2,989)	(2,649)	(3,222)	(3,673)	(4,095)	(6,272)	(5,907)	(6,386)	
Closing Balance	231,675	234,168	235,738	233,357	232,381	233,640	248,344	247,121	241,299	235,550	229,326	
RESERVES												
Opening Balance	52,276	54,216	49,013	47,690	50,665	53,300	56,507	60,162	64,243	70,496	76,387	
Transfers from Accumulated Funds	(5,071)	(5,203)	(1,322)	2,975	2,635	3,206	3,656	4,080	6,253	5,891	6,370	
Closing Balance	47,205	49,013	47,691	50,665	53,300	56,506	60,163	64,242	70,496	76,387	82,757	
ASSET REVALUATION RESERVE												
Opening Balance	827,930	837,869	837,869	923,184	923,184	923,184	1,041,027	1,041,027	1,041,027	1,171,067	1,171,067	
Add Transfer from Accumulated Funds	0	0	85,315	0	0	117,844	0	0	130,040	0	0	
Closing Balance	827,930	837,869	923,184	923,184	923,184	1,041,028	1,041,027	1,041,027	1,171,067	1,171,067	1,171,067	

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

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(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
OTHER											
Opening Balance	382	364	377	391	405	420	435	450	466	482	499
Add Movement for the Year	13	13	14	14	15	15	15	16	16	17	17
Closing Balance	395	377	391	405	420	435	450	466	482	499	517
EQUITY AT THE END OF THE YEAR	1,107,254	1,121,427	1,207,004	1,207,611	1,209,283	1,331,609	1,349,982	1,352,858	1,483,345	1,483,503	1,483,666

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Current Assets											
Cash and cash equivalents	746	829	654	804	475	813	720	772	765	996	992
Receivables and prepayments	3,475	5,451	5,564	5,681	5,799	5,919	6,042	6,168	6,296	6,426	6,559
Other financial assets	25,857	30,507	30,044	29,855	30,070	30,292	30,522	30,760	31,006	31,260	31,523
Development property	1,300	2,050	1,350	850	450	350	350	350	350	350	350
TOTAL CURRENT ASSETS	31,378	38,837	37,612	37,190	36,794	37,374	37,634	38,050	38,417	39,032	39,424
Non Current Assets											
Property, plant & equipment	1,109,690	1,134,021	1,236,241	1,257,996	1,272,694	1,398,575	1,423,132	1,435,727	1,560,993	1,559,688	1,557,611
Intangible assets	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Other financial assets	152	252	252	252	252	252	252	252	252	252	252
TOTAL NON CURRENT ASSETS	1,111,042	1,135,473	1,237,693	1,259,448	1,274,146	1,400,027	1,424,584	1,437,179	1,562,445	1,561,140	1,559,063
TOTAL ASSETS	1,142,420	1,174,310	1,275,305	1,296,638	1,310,940	1,437,401	1,462,218	1,475,229	1,600,862	1,600,172	1,598,487

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PROSPECTIVE STATEMENT OF FINANCIAL POSITION

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(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Current Liabilities											
Payables and Accruals	5,723	6,101	6,219	6,345	6,476	6,611	6,755	6,890	7,036	7,187	7,338
Employee entitlements	635	756	756	756	756	756	756	756	756	756	756
Borrowings	1,160	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	9,000	10,000
TOTAL CURRENT LIABILITIES	7,518	10,857	10,975	11,102	11,232	11,368	11,510	11,646	11,792	16,944	18,094
Non Current Liabilities											
Other Liabilities	60	55	55	55	55	55	55	55	55	55	55
Borrowings	26,857	41,180	56,480	77,080	89,580	93,580	99,880	109,880	104,880	98,880	95,880
Provisions	780	790	790	790	790	790	790	790	790	790	790
TOTAL NON CURRENT LIABILITIES	27,697	42,025	57,325	77,925	90,425	94,425	100,725	110,725	105,725	99,725	96,725
TOTAL LIABILITIES	35,215	52,882	68,300	89,026	101,657	105,792	112,236	122,371	117,517	116,668	114,819
Equity											
Accumulated funds	231,675	234,168	235,740	233,357	232,381	233,640	248,344	247,120	241,300	235,552	229,325
Reserves	875,530	887,259	971,265	974,255	976,902	1,097,970	1,101,638	1,105,738	1,242,045	1,247,952	1,254,343
TOTAL EQUITY	1,107,205	1,121,427	1,207,005	1,207,611	1,209,283	1,331,609	1,349,983	1,352,858	1,483,345	1,483,503	1,483,668
NET CURRENT ASSET POSITION	23,860	27,980	26,637	26,088	25,562	26,006	26,124	26,404	26,625	22,088	21,330

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PROSPECTIVE STATEMENT OF CASHFLOWS

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
CASHFLOW FROM OPERATING ACTIVITIES											
Receipts from customers, rates, grants and other services	42,976	45,696	47,234	48,518	51,680	55,848	72,029	57,449	56,009	57,667	58,568
Interest received	778	0	0	0	0	0	0	0	0	0	0
Payments to suppliers and employees	(27,091)	(38,180)	(32,157)	(31,711)	(33,033)	(34,010)	(34,918)	(35,275)	(36,124)	(37,181)	(37,969)
Interest Expense	(568)	(689)	(1,057)	(1,416)	(1,747)	(1,912)	(2,015)	(2,178)	(2,228)	(2,168)	(2,138)
NET CASHFLOW FROM OPERATING ACTIVITIES	16,095	6,827	14,020	15,391	16,900	19,926	35,096	19,996	17,657	18,318	18,461
CASHFLOW FROM INVESTING ACTIVITIES											
Purchase of PP&E	(35,912)	(30,907)	(31,695)	(37,552)	(30,930)	(24,489)	(42,290)	(30,745)	(13,465)	(17,887)	(17,266)
(Acquisition) / sale of other financial assets	840	2,112	1,500	1,210	800	800	800	800	800	800	800
(Acquisition) / sale of development property	900	900	700	500	400	100	0	0	0	0	0
NET CASH FROM INVESTING ACTIVITIES	(34,172)	(27,895)	(29,495)	(35,842)	(29,730)	(23,589)	(41,490)	(29,945)	(12,665)	(17,087)	(16,466)

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PROSPECTIVE STATEMENT OF CASHFLOWS

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
CASHFLOWS FROM FINANCING ACTIVITIES											
Proceeds from borrowings	20,000	21,500	15,300	20,600	12,500	4,000	6,300	10,000	0	0	0
Repayment of borrowings	(1,552)	0	0	0	0	0	0	0	(5,000)	(1,000)	(2,000)
TOTAL CASHFLOW FROM FINANCING ACTIVITIES	18,448	21,500	15,300	20,600	12,500	4,000	6,300	10,000	(5,000)	(1,000)	(2,000)
Net increase (decrease) in cash and cash equivalents	371	432	(175)	149	(330)	337	(94)	51	(8)	231	(5)
Cash and cash equivalents at beginning of the year	375	396	828	653	802	472	809	715	766	758	989
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	746	828	653	802	472	809	715	766	758	989	984

RECONCILIATION OF NON-EXCHANGE & EXCHANGE REVENUE

(All in \$'000s)	Annual Plan	Long Term Plan (FORECAST)									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Revenue from non-exchange transactions											
General rates	2,528	3,121	2,602	2,301	3,713	3,848	3,937	3,963	3,997	4,037	4,023
Targeted rates	24,664	25,138	26,771	28,244	29,065	30,522	31,139	31,716	32,954	33,739	34,586
Rates penalties	182	220	226	233	239	246	253	256	263	270	277
Internal rates	0	0	0	0	0	0	0	0	0	0	0
TOTAL NON - EXCHANGE REVENUE	27,374	28,479	29,599	30,778	33,017	34,616	35,329	35,935	37,214	38,046	38,886
Revenue from exchange transactions											
Grants, subsidies and donations	948	1,031	1,060	1,089	1,118	1,149	1,179	1,190	1,222	1,255	1,287
Fees and user charges	10,175	11,099	10,534	10,646	11,631	12,238	11,870	12,016	11,303	11,927	11,793
Permits and licences	2,432	2,759	3,004	3,178	3,262	3,365	3,467	3,518	3,615	3,713	3,808
Other fees	863	1,099	1,707	1,464	1,030	1,059	1,088	1,099	1,130	1,161	1,193
Rental revenue	756	936	963	991	1,019	1,049	1,077	1,088	1,118	1,150	1,181
Interest revenue	778	1,073	1,037	1,021	1,015	1,022	1,030	1,038	1,046	1,054	1,063
Other revenue	429	73	141	142	362	2,125	17,766	2,347	144	144	145
TOTAL EXCHANGE REVENUE	16,381	18,070	18,446	18,531	19,437	22,007	37,477	22,296	19,578	20,404	20,470
TOTAL REVENUE	43,755	46,549	48,045	49,309	52,454	56,623	72,806	58,231	56,792	58,450	59,356

RECONCILIATION OF CASHFLOW TO COMPREHENSIVE REVENUE & EXPENSE

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR	2,456	(6,316)	85,577	608	1,672	122,321	18,375	2,871	130,487	157	161
Add non-cash items											
Revaluation of property, plant and equipment	0	0	(85,315)	0	0	(117,843)	0	0	(130,040)	0	0
Working Capital Inflation	426	6	10	11	17	19	20	19	21	26	24
Depreciation and Amortisation	13,213	14,210	14,785	15,793	16,226	16,451	17,731	18,144	18,235	19,189	19,339
Fair Value Gains Nikko Investment	0	(1,073)	(1,037)	(1,021)	(1,015)	(1,022)	(1,030)	(1,038)	(1,046)	(1,054)	(1,063)
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	16,095	6,827	14,020	15,391	16,900	19,926	35,096	19,996	17,657	18,318	18,461

RECONCILIATION OF COUNCIL FIS TO ACTIVITY FIS

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Community Leadership	61	6	93	127	132	134	137	138	141	144	147
Economic & Community Development	(287)	(299)	20	20	32	50	51	52	52	53	53
Roading	4,859	3,362	4,282	3,733	4,450	4,373	4,030	4,083	4,198	4,097	4,153
Water Supply	2,290	2,887	3,878	3,919	3,391	3,474	3,705	3,975	4,226	4,387	4,635
Sewerage	1,080	1,273	1,447	1,617	1,744	1,799	1,872	1,914	2,115	2,166	2,215
Stormwater	351	432	517	555	610	712	761	793	840	841	882
Solid Waste Management	135	(33)	319	(48)	(44)	(45)	(49)	(47)	(48)	(52)	(60)
Community Services	1,086	(5,018)	(245)	1,163	1,193	1,209	1,236	1,229	1,246	1,276	1,294
Regulatory & Emergency Services	33	82	165	167	166	171	174	177	185	187	188
Internal Services	207	(2,229)	(1,906)	(1,698)	(1,265)	(1,244)	(1,305)	(1,433)	(1,374)	(1,367)	(1,350)
SURPLUS/(DEFICIT) OF OPERATING FUNDING PER ACTIVITIES FIS	9,815	464	8,570	9,555	10,409	10,633	10,612	10,882	11,581	11,732	12,157
OVERALL FIS	9,815	464	8,570	9,555	10,409	10,633	10,612	10,882	11,581	11,732	12,157

DEPRECIATION & AMORTISATION

(All in \$000s)	Annual Plan	Long Term Plan (FORECAST)									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Buildings	495	461	495	576	601	636	672	701	708	742	787
Furniture and Equipment	296	421	462	480	548	596	630	652	652	652	660
Plant and Motor Vehicles	600	598	795	847	874	902	931	960	990	1,128	1,160
Library Books	106	117	134	151	168	187	207	228	249	272	296
Roads	8,594	8,814	8,848	9,264	9,273	9,273	9,751	9,751	9,751	10,266	10,266
Stormwater	301	377	399	419	423	426	463	483	483	522	522
Sewerage	966	1,276	1,346	1,398	1,407	1,451	1,892	2,051	2,051	2,079	2,079
Water	1,855	2,146	2,306	2,658	2,930	2,978	3,185	3,318	3,350	3,528	3,569
Computer Software*	0	0	0	0	0	0	0	0	0	0	0
PROSPECTIVE DEPRECIATION AND AMORTISATION	13,213	14,210	14,78	15,793	16,226	16,451	17,731	18,144	18,235	19,189	19,339

* Note amortisation for computer software has been included in Plant and Motor Vehicles

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.

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.

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.

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 presented 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.

Commitments and contingencies are disclosed exclusive of GST.

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 to the right:

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. 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. 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	<p>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</p>
Financial contributions	<p>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.</p>
Waka Kotahi Transport Agency roading subsidies	<p>Council receives funding assistance from Waka Kotahi NZ Transport Agency 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.</p>
Vested or donated physical assets	<p>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.</p>
Infringement fees and fines	<p>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.</p> <p>When the infringement notice is issued.</p>

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.
Development Property	On earliest of either settlement, or unconditional sale and purchase agreement

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.

EMPLOYEE BENEFITS ACCOUNTING POLICY

Employee benefits 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.

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 on the previous page.

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 Roading 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%
Restricted Assets		
Reserves	Not applicable	Not applicable
Endowments	Not applicable	Not applicable
Other	Not applicable	Not applicable

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.

BORROWINGS ACCOUNTING POLICY

Borrowings are initially recognised at face value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

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 method 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. This fund includes bonds and tradable securities.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are those that are designated as fair value through other statement of comprehensive 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 noncollectable, 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.
- Due to the immaterial size and nature of the Council's investment in the LGFA, the Council has estimated the fair value of the investment based on the LGFA's net asset backing at 30 June.

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 Waka Kotahi, 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 intergenerational 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 factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next ten years are:

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

Critical judgements in applying accounting policies

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

Classification of property

Council owns properties held to provide social housing. 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 as property, plant and equipment, rather than investment property.

Estimating the fair value of infrastructure

The most recent valuation of infrastructural assets effective 30 June 2020 was performed by:

- Stormwater, wastewater and water infrastructural assets were valued at depreciated replacement cost as at 30 June 2020 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 construction 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.

ITEM	VALUATION INPUT
Interest rate swaps	Forward interest rate yield

Landfill aftercare provision

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
- There will be consent renewal for Mt Cooee Landfill to allow it to continue to operate post 2023.

STANDARDS AND AMENDMENTS, ISSUED BUT NOT YET EFFECTIVE THAT HAVE NOT BEEN EARLY ADOPTED; AND WHICH ARE RELEVANT TO THE COUNCIL:

FINANCIAL INSTRUMENTS

PBE IPSAS 41 Financial Instruments (PBE IPSAS 41) will become effective for the year ending 30 June 2023, or the second year of the 2021-31 LTP, or could be early adopted from 1 July 2021.

Paragraph 41 of PBE FRS 42 Prospective Financial Statements will require prospective financial statements to be prepared in accordance with the accounting policies expected to be used in the future for reporting historical financial statements.

PBE IPSAS 41 will:

- Introduce a new classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held. This could result in some instruments moving from amortised cost accounting to fair value accounting, or vice versa.
- Apply a forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing.
- Introduce a hedge accounting model that broadens the hedging arrangements in scope of the guidance.

Council is not anticipating any material difference to prior disclosures and treatments and will adopt PBE IPSAS 41 to apply from the second year of the 2021-31 LTP.

EMPLOYEE BENEFITS

PBE IPSAS 39 Employee Benefits replaces the current standard on employee benefits, PBE IPSAS 25. PBE IPAS 39 is effective for annual period beginning on or after 1 January 2019, with early application permitted. The changes mainly focus on defined benefit plans where the new standards:

- Removes the option to defer the recognition of certain actuarial gains and losses arising from defined benefit plans.
- Eliminates some of the presentation options for actuarial gains and losses arising from defined benefit plans.
- Introduces the net interest approach, which is to be used when determining the defined benefit cost for defined benefit plans.
- Structures the disclosures for defined benefit plans according to explicit disclosure objectives for defined benefit plans.

Council does not have defined benefit plans and therefore, Council does not expect this standard to have significant impact on the financial statements.

OTHER CHANGES IN ACCOUNTING POLICES

There have been no other changes in accounting policies.

SCHEDULE OF RESERVE FUNDS

FUND	Type/ Purpose	Opening balance as at 1 July 2021	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 2031
Internal Services						
Information Technology	Depn	(891)	2,225	29	260	1,103
Rosebank Terrace Main Office/Service Centres	Depn	398	848	107	789	564
Underground Insurance	Spec	434	640	260	-	1,335
Human Resources	Spec	20	-	7	-	27
Cars	Spec	485	2,851	228	2,400	1,163
Gratuities	Spec	79	-	27	-	106
District Assets Infrastructure	Spec	2	-	1	-	2
Policy and Communications	Spec	126	1	20	73	75
Community Leadership						
Election Fund	Spec	49	-	-1	60	(13)
Lawrence Tuapeka Community Board	Spec	31	-	-2	60	(31)
West Otago Community Board	Spec	78	-	27	-	105
Tuapeka Bursary	Spec	32	-	11	-	43
Clutha Gold Trail	Spec	94	-	4	98	0
Opportunities Fund	Spec	76	-	26	-	102
Signage	Spec	8	-	3	-	11
Welcome to Signage	Spec	4	-	2	-	6

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SCHEDULE OF RESERVE FUNDS

FUND	Type/ Purpose	Opening balance as at 1 July 2021	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 2021
Community Services						
Library	Depn	119	1,541	73	1,380	354
Balclutha Pool	Depn	39	596	117	-	752
Kaitangata Pool	Depn	218	-	75	-	292
Kaitangata Pool	Spec	87	-	30	-	116
Lawrence Pool	Depn	142	-	49	-	191
Lawrence Pool	Spec	49	-	17	-	66
Milton Pool	Depn	54	284	68	-	405
Reserve Contributions	Spec	88	91	46	-	225
Parks and Reserves	Depn	105	173	21	236	63
Sportsgrounds	Depn	271	195	127	-	593
Grandstand 2000	Depn	159	-	55	-	214
Cemetery	Depn	116	-	37	8	145
Cemeteries	Spec	537	-	185	-	722
Kaitangata Cemetery	Spec	15	-	5	-	20
Lawrence Cemetery	Spec	31	-	11	-	41
Public Conveniences	Depn	122	571	115	99	708
Balclutha Town Hall	Depn	111	-	38	-	150
Balclutha Town Hall	Spec	185	-	63	-	248
Milton Civic Centre	Depn	15	-	5	-	21
Kaitangata Hall	Depn	29	-	10	-	39
Clutha Valley Hall	Depn	44	38	22	-	105
Hillend Hall	Depn	37	37	19	-	93
Kaka Point Hall	Depn	11	79	8	70	28
Lovells Flat Hall	Depn	15	3	6	-	24

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SCHEDULE OF RESERVE FUNDS

FUND	Type/ Purpose	Opening balance as at 1 July 2021	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 2021
Community Services						
Moneymore Hall	Depn	12	4	5	-	20
Owaka Hall	Depn	57	38	19	56	57
Waiholā Hall	Depn	6	3	3	-	12
Waipahi Hall	Depn	14	7	6	-	28
Waitahuna Hall	Depn	221	46	75	70	273
Waiwera Hall	Depn	20	4	8	-	32
Various Halls	Depn	162	-	56	-	217
Clinton Hall	Depn	0	-	0	-	0
Naish Park Camping Ground	Depn	90	188	57	39	296
Kaka Point Camping Ground	Depn	74	124	34	51	181
Taylor Park Camping Ground	Depn	63	14	24	-	102
Pounaweā Camping Ground	Depn	22	84	16	37	86
Waiholā Camping Ground	Depn	8	3	3	-	15
Community Housing	Depn	768	1,244	480	-	2,492
Endowment Land	Spec	628	-	216	-	844
Depots	Depn	373	-	128	-	501
Other Property	Depn	133	-	46	-	178
Dunrobin Recreation Reserve Board	Spec	74	-	26	-	100
Parkhill Rec Reserve Board	Spec	5	-	2	-	7
Waikoikoi Domain Board	Spec	18	-	6	-	24

SCHEDULE OF RESERVE FUNDS

FUND	Type/ Purpose	Opening balance as at 1 July 2021	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 2031
Funds Not Specifically Allocated to an Activity Group						
Emergency Fund	Spec	4,459	-	1,534	-	5,993
General Reserve	Spec	6,592	4,662	-	31	11,223
Serdel - Externally Invested	Spec	4,773	-	-	-	4,773
Forestry Fund - Externally Invested	Spec	6,208	-	1,360	-	7,568
Investment Fund Balance by difference - Externally Invested	Spec	3,030	-	-	-	3,030
Rates Disbursement Reserve	Spec	3,078	-	4,900	35	7,943
Treasury Return to Balance Reserve	Spec	1,540	-	2,272	-	3,812
Lawrence Heritage	Spec	30	-	10	-	40
Regulatory & Emergency Services						
Animal Control	Depn	20	26	12	-	58
Regulatory Reserve	Depn	55	-	19	-	73
Roading						
Roading - Bridge Lights	Spec	45	-	15	-	60
Roading	Depn	4,747	3,605	1,008	6,180	3,179
Balclutha Main Street	Spec	61	-	21	-	82
Deferred Roothing	Depn	1,575	3,018	542	3,018	2,116
Waste Management						
Solid Waste	Depn	1,097	801	141	1,210	829

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SCHEDULE OF RESERVE FUNDS

FUND	Type/ Purpose	Opening balance as at 1 July 2021	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 2021
Trust Funds (Restricted Reserves)						
Tapanui Domain Trust	Trust	16	-	6	-	22
Butler Trust	Trust	0	-	0	-	1
Milton Brass Band	Trust	1	-	0	-	1
O'Hara Sports Trust	Trust	2	-	1	-	2
J D Swan Estate	Trust	10	-	3	-	13
George Melville Estate	Trust	166	-	57	-	223
Kate Leslie Trust	Trust	122	-	42	-	164
Elderly Citizens Trust (Lawrence)	Trust	32	-	11	-	43
Clinton Endowment Land	Trust	95	-	33	-	128

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SCHEDULE OF RESERVE FUNDS

FUND	Type/ Purpose	Opening balance as at 1 July 2021	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 2031
Water						
Urban Water	Depn	(413)	9,524	186	5,605	3,692
Urban Water	Spec	418	-	137	42	513
Balmoral No 1	Depn	325	266	30	476	146
Balmoral No 2	Depn	134	608	145	22	864
Balmoral No.2 Plant Renewal	Spec	92	-	15	76	31
Clydevale / Pomahaka	Depn	101	1,514	-19	1,794	-197
Glenkenich	Depn	277	1,477	17	1,433	338
Glenkenich Rural Water Scheme Renewal	Spec	1	-	0	-	2
Moa Flat	Depn	25	1,455	31	1,062	448
Moa Flat Rural Water Scheme Pump Renewal	Spec	3	-	1	-	3
North Bruce	Depn	513	1,272	63	1,393	456
Richardson	Depn	(530)	1,539	-24	516	469
Richardson Rural Water Scheme Renewal	Spec	536	-	184	-	720
South Bruce	Depn	38	241	12	229	62
Tuapeka Rural Water Scheme	Depn	223	946	106	787	488
Tuapeka Rural Water Scheme Renewal	Spec	0	-	0	-	0
Waipahi	Depn	79	322	13	369	45
Waitahuna	Depn	99	573	55	449	278
Wangaloa	Depn	158	160	19	255	81
Stirling Treatment Plant	Depn	(22)	518	77	50	524
Kaitangata Treatment Plant	Depn	188	526	87	222	579
Wangaloa Plant Renewal	Spec	17	-	6	-	22
Wangaloa	Depn	117	148	44	164	145

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SCHEDULE OF RESERVE FUNDS

FUND	Type/ Purpose	Opening balance as at 1 July 2021	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 2031
Water						
Sewerage	Spec	944	-	325	-	1,257
Urban Sewerage	Depn	4,894	12,757	180	14,526	3,306
Milton Stormwater	Spec	24	-	8	-	33
Urban Stormwater	Depn	1,787	3,965	223	4,315	1,660
Telemetry	Depn	444	-	49	300	193
Telemetry	Spec	180	-	62	-	241
TOTAL RESERVE FUNDS		54,660	61,710	17,166	50,182	83,353

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