

# FINANCIAL STATEMENTS





# FINANCIAL STATEMENTS

## INCOME STATEMENT

INCOME STATEMENT	Community Plan		Forecast
	2007	2008	2008
For the Years Ending 30 June			
	\$'000		
<b>REVENUE</b>			
District Wide Rates	25,840	28,210	27,191
Targeted Rates	14,279	15,824	16,063
User Fees	7,881	8,203	8,713
Grants & Subsidies	10,329	10,937	11,597
Development Contributions	8,155	8,365	8,365
Assets Vested in Council	8,503	8,708	8,708
<b>TOTAL REVENUE</b>	<b>74,987</b>	<b>80,247</b>	<b>80,637</b>
Operating Expenditure	37,150	39,036	39,183
Depreciation	13,455	15,361	14,041
External Interest	2,957	4,366	3,815
<b>TOTAL EXPENDITURE</b>	<b>53,562</b>	<b>58,763</b>	<b>57,039</b>
<b>OPERATING SURPLUS</b>	<b>21,425</b>	<b>21,484</b>	<b>23,598</b>
<b>APPLIED TO:</b>			
Development Contributions	8,155	8,365	8,365
Asset Vested in Council	8,503	8,708	8,708
Loan Repayments	1,332	1,694	1,846
Capital/Operating Reserves	3,435	2,717	4,679
	<b>21,425</b>	<b>21,484</b>	<b>23,598</b>



# FINANCIAL STATEMENTS

## BALANCE SHEET

BALANCE SHEET	Community Plan 2008	Annual Plan 2008
Plan as at 30 June		
	\$000	
<b>Current Assets</b>		
Cash & Cash Equivalents	99	31
Current Investments	203	100
Trading and Other Receivables	3,835	7,206
<b>Total Current Assets</b>	<b>4,137</b>	<b>7,337</b>
<b>Non Current Assets</b>		
Term Investments	1,406	1,156
Intangible Assets	1,429	1,810
Property Plant & Equipment	1,045,085	1,184,216
<b>Total Non Current Assets</b>	<b>1,047,920</b>	<b>1,187,182</b>
<b>TOTAL ASSETS</b>	<b>1,052,057</b>	<b>1,194,519</b>
<b>Current Liabilities</b>		
Accounts Payable	9,394	7,916
Provisions	1,093	2,220
Current Portion of Public Debt	14,830	25,930
Funds Helds for Other Parties	364	282
<b>Total Current Liabilities</b>	<b>25,681</b>	<b>36,348</b>
<b>Non Current Liabilities</b>		
Public Debt	48,318	39,394
<b>TOTAL LIABILITIES</b>	<b>73,999</b>	<b>75,742</b>
<b>NET ASSETS</b>	<b>978,058</b>	<b>1,118,777</b>
<b>EQUITY</b>		
Accumulated Funds	356,365	368,687
Asset Revaluation Reserves	621,693	750,090
<b>RATEPAYER EQUITY</b>	<b>978,058</b>	<b>1,118,777</b>

## STATEMENT OF MOVEMENT IN EQUITY

Statement of Movement in Equity	Community Plan 2008	Annual Plan 2008
Plan For the Years Ending 30 June		
Equity at start of the year	923,200	1,062,783
Net Surplus	21,484	23,598
Other Recognised Revenues & Expenses		
Asset Revaluations	33,374	32,396
Total Recognised Revenues & Expenses	54,858	55,994
<b>Equity at end of the year</b>	<b>978,058</b>	<b>1,118,777</b>

# FINANCIAL STATEMENTS

## STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS	Community Plan	Annual Plan
For the Years Ending 30 June	2008	2008
<b>Cash Flows from Operating Activities will be provided from:</b>		
General & Targeted Rates	44,034	43,254
Government Grants & Subsidies	10,937	11,597
User Charges	16,458	17,078
Interest & Dividends	110	100
	<b>71,539</b>	<b>72,029</b>
Cash will be applied to:		
Operating expenditure	38,436	39,097
Interest paid	4,366	3,815
GST (net)	(134)	462
	<b>42,668</b>	<b>43,374</b>
<b>Operating Activities</b>	<b>28,871</b>	<b>28,655</b>
Cash Flows from Investing Activities will be provided from:		
<b>Loans &amp; Mortgages Repaid</b>	180	180
	<b>180</b>	<b>180</b>
Cash will be applied to:		
Purchase of Property Plant & Equipment	38,888	55,240
Purchase of Investments	100	100
	<b>38,988</b>	<b>55,340</b>
<b>Net Cash Inflow (outflow) from Investing</b>	<b>(38,808)</b>	<b>(55,160)</b>
Cash Flows from Financing Activities will be provided from:		
Loans Raised	21,400	32,500
	<b>21,400</b>	<b>32,500</b>
Cash will be applied to:		
Repayment of Loan Principal	11,430	6,030
	<b>11,430</b>	<b>6,030</b>
<b>Net Cash Inflow (outflow) from Financing</b>	<b>9,970</b>	<b>26,470</b>
<b>Net Increase (Decrease) in cash Held</b>	<b>33</b>	<b>(35)</b>
Opening Cash and Bank Balances	66	66
<b>Closing Cash &amp; Bank</b>	<b>99</b>	<b>31</b>
Represented by:		
Cash at Bank	99	31
<b>Closing Cash &amp; Bank</b>	<b>99</b>	<b>31</b>

# FINANCIAL STATEMENTS

## CAPITAL WORKS SUMMARY

CAPITAL WORKS PROGRAMME	Community Plan		Annual Plan
	For the Years Ending 30 June	2007	2008
Transport	16,035	15,625	20,982
Town Centre Redevelopment	3,100	1,850	2,868
Land Drainage	120	120	138
Regulatory	713	0	0
Solid Waste	363	50	60
Stormwater	7,655	6,800	9,040
Wastewater	6,485	7,481	10,575
Water Supply	5,666	3,252	6,402
Community Centres	816	102	102
Pensioner Housing	218	150	150
Recreation Centre and Pools	304	171	271
Open Spaces & Amenities	2,631	1,507	3,482
Franklin Centre	7,676	0	0
Property Management	760	300	415
Information Management	1,045	650	755
	<b>53,587</b>	<b>38,058</b>	<b>55,240</b>
<b>Funding:</b>			
Asset Renewals	12,136	7,684	10,772
Development Contributions	19,638	13,422	21,516
Level of Service (Loan)	15,664	10,383	15,835
Subsidy	5,874	6,294	6,842
Other Capital Reserves	275	275	275
	<b>53,587</b>	<b>38,058</b>	<b>55,240</b>



# NOTES TO FINANCIAL STATEMENTS

## NOTE 1 COST OF SERVICES STATEMENT

SUMMARY COST OF SERVICES STATEMENT	Community Plan		Forecast
	2007	2008	2008
For the Years Ending 30 June	\$'000		
<b>REVENUE</b>			
District Wide Rates	25,840	28,210	27,191
Targeted Rates	14,279	15,824	16,063
User Fees	8,001	8,323	8,850
Grants & Subsidies	10,329	10,937	11,597
Interest Received	110	110	100
Internal Recoveries	7,558	8,232	9,262
Internal Interest	4,084	5,008	4,925
Development Contributions	8,155	8,365	8,365
Assets Vested in Council	8,503	8,708	8,708
	<b>86,859</b>	<b>93,717</b>	<b>95,061</b>
less Internal Recoveries	11,872	13,470	14,424
<b>TOTAL REVENUE</b>	<b>74,987</b>	<b>80,247</b>	<b>80,637</b>
<b>EXPENDITURE</b>			
Representation	3,157	3,511	3,520
Strategy & Policy	2,484	2,393	2,759
Town Centres	1,143	1,385	1,323
Enterprise Franklin Development Trust	997	1,006	1,005
Land Transport	16,938	18,401	18,050
Building Services	2,225	2,377	2,555
Regulatory	3,468	3,865	3,778
Emergency Management	355	343	428
Stormwater	3,296	3,875	4,078
Wastewater	3,979	4,561	4,528
Water Supply	4,956	5,444	5,138
Land Drainage	509	526	544
Solid Waste	2,455	2,649	2,546
Open Spaces and Amenties	3,214	3,358	3,528
Community Facilities	2,150	2,254	2,038
Community Partnerships	2,800	3,005	2,650
Support & Miscellaneous	11,308	13,280	12,995
	65,434	72,233	71,463
Less Internal Charges	11,872	13,470	14,424
<b>TOTAL EXPENDITURE</b>	<b>53,562</b>	<b>58,763</b>	<b>57,039</b>
<b>OPERATING SURPLUS</b>	<b>21,425</b>	<b>21,484</b>	<b>23,598</b>
<b>APPLICATION OF OPERATING SURPLUS:</b>			
Development Contributions	8,155	8,365	8,365
Loan Repayments	1,332	1,694	1,846
Vested Assets	8,503	8,708	8,708
Capital/Operating Reserves	3,435	2,717	4,679
	<b>21,425</b>	<b>21,484</b>	<b>23,598</b>

## NOTE 2 REVENUE

REVENUE	Community Plan		Forecast
	2007	2008	2008
For the Years Ending 30 June			\$'000
<b>DISTRICT WIDE RATES</b>			
Representation	3,048	3,268	3,249
Strategy & Policy	2,420	2,329	2,358
Town Centres	262	319	292
Enterprise Franklin Development Trust	299	399	398
Land Transport	8,834	9,468	9,445
Building Services	230	242	85
Regulatory	1,870	2,185	2,045
Emergency Management	314	302	387
Stormwater	1,641	1,929	1,960
Solid Waste	836	893	826
Open Spaces and Amenties	2,959	3,101	3,298
Community Facilities	1,189	1,277	1,025
Art & Culture	2,456	2,868	2,528
Support & Miscellaneous	(517)	(370)	(705)
<b>TOTAL DISTRICT WIDE RATES</b>	<b>25,841</b>	<b>28,210</b>	<b>27,191</b>
<b>TARGETED RATES</b>			
Representation	157	157	157
Town Centres	1,048	1,275	1,077
Enterprise Franklin Development Trust	503	607	607
Land Transport	275	275	275
Emergency Management	11	11	11
Stormwater	1,680	2,024	2,171
Wastewater	4,364	4,570	4,811
Water Supply	4,894	5,456	5,494
Land Drainage	97	97	134
Solid Waste	727	818	793
Community Facilities	522	534	533
<b>TOTAL TARGETED RATES</b>	<b>14,278</b>	<b>15,824</b>	<b>16,063</b>
<b>OTHER REVENUE</b>			
Representation	0	70	70
Strategy & Policy	64	64	71
Land Transport	265	265	538
Building Services	1,995	2,135	2,470
Regulatory	1,606	1,688	1,750
Emergency Management	30	30	30
Stormwater	254	255	315
Wastewater	314	316	561
Water Supply	392	396	396
<b>Land Drainage</b>	<b>506</b>	<b>518</b>	<b>519</b>
Solid Waste	1,052	1,052	1,078
Open Spaces and Amenties	269	275	252
Community Facilities	454	454	454
Support & Miscellaneous	12,552	14,156	14,633
	<b>19,753</b>	<b>21,674</b>	<b>23,137</b>



REVENUE	Community Plan		Forecast
	2007	2008	2008
For the Years Ending 30 June			\$'000
<b>GRANTS &amp; SUBSIDIES</b>			
Land Transport	10,242	10,850	11,511
Art & Culture	87	87	86
<b>TOTAL GRANTS &amp; SUBSIDIES</b>	<b>10,329</b>	<b>10,937</b>	<b>11,597</b>
<b>ASSETS VESTED IN COUNCIL</b>			
Land Transport	1,231	1,261	1,261
Stormwater	3,956	4,051	4,051
Wastewater	2,032	2,081	2,081
Water Supply	1,284	1,315	1,315
<b>TOTAL ASSETS VESTED IN COUNCIL</b>	<b>8,503</b>	<b>8,708</b>	<b>8,708</b>
<b>DEVELOPMENT CONTRIBUTIONS</b>			
Land Transport	2,592	2,659	2,659
Stormwater	1,443	1,478	1,478
Wastewater	1,633	1,676	1,676
Water Supply	572	588	588
Open Spaces and Amenties	1,067	1,094	1,094
Community Facilities	848	870	870
<b>TOTAL DEVELOPMENT CONTRIBUTIONS</b>	<b>8,155</b>	<b>8,365</b>	<b>8,365</b>
	<b>86,859</b>	<b>93,718</b>	<b>95,061</b>
<b>Less Internal Charges</b>	<b>11,872</b>	<b>13,470</b>	<b>14,424</b>
<b>TOTAL REVENUE</b>	<b>74,987</b>	<b>80,248</b>	<b>80,637</b>



## NOTE 3 FIXED AND INFRASTRUCTURE ASSETS

NOTE 3 FIXED AND INFRASTRUCTURE ASSETS For the Year Ended 30 June	Forecast 2007	Annual Plan 2008
	\$000	
<b>Fixed Assets</b>		
Opening Book Value	47,500	59,164
Movement	11,664	4,889
<b>Fixed Assets *</b>	<b>59,164</b>	<b>64,053</b>
* Includes Computer Software		
<b>Infrastructure Assets</b>		
<b>Land Drainage</b>		
Opening Book Value	20,587	21,231
Movement	644	541
Closing Book Value	<b>21,231</b>	<b>21,772</b>
<b>Solid Waste</b>		
Opening Book Value	508	840
Movement	332	46
Closing Book Value	<b>840</b>	<b>886</b>
<b>Land Under Roads and Roothing Network</b>		
Opening Book Value	790,507	817,940
Movement	27,430	32,274
Closing Book Value	<b>817,937</b>	<b>850,214</b>
<b>Stormwater</b>		
Opening Book Value	68,071	81,069
Movement	12,998	17,714
Closing Book Value	<b>81,069</b>	<b>98,783</b>
<b>Wastewater</b>		
Opening Book Value	56,482	64,049
Movement	7,567	15,459
Closing Book Value	<b>64,049</b>	<b>79,508</b>
<b>Water Supply</b>		
Opening Book Value	54,023	60,967
Movement	6,944	10,040
Closing Book Value	<b>60,967</b>	<b>71,007</b>
<b>Infrastructure Assets</b>	<b>1,046,093</b>	<b>1,122,170</b>
<b>Property, Plant, Equipment</b>	<b>1,105,257</b>	<b>1,186,223</b>

## NOTE 4 COMPUTER SOFTWARE

<b>Computer Software</b>		
Opening Balance	1,256	1,675
Movement	160	135
<b>Closing Book Value</b>	<b>1,416</b>	<b>1,810</b>





# STATEMENT OF ACCOUNTING POLICIES

For the Year Ending 30 June 2008

## PURPOSE

These accounting policies are intended to comply with New Zealand International Financial Reporting Standards (NZ IFRS) and to be applicable to the following entities and their subsidiaries and associates, namely:

Franklin District Library Trust  
Franklin Art and Culture Trust

Council's significant accounting policies are listed below and are intended as guidelines for financial accounting and also as the base for preparation of the notes to the financial statements.

Each entity should comply with these policies but may wish to modify the wording of the entity to suit their specific situation. Certain policies will not apply to all entities.

The NZ IFRS regime will be reviewed on an on going basis and changes to these policies made as necessary when change to NZ IFRS is adopted.

## REPORTING ENTITY

The Franklin District Council (FDC) is a territorial authority governed by the Local Government Act 2002.

The Franklin District Council has a funding agreement with the following community trusts: Franklin Arts and Cultural Trust and Franklin District Library Trust. In addition, Council appoints the trustees of the Franklin Arts and Cultural Trust and appoints two representatives on the Franklin District Library Trust. For the purposes of financial reporting, the trusts are deemed to be in-substance subsidiaries and accounted for accordingly.

These Financial Statements have been prepared in accordance with Sections 98, 99, and 111 and Part 3 of Schedule 10 of the Local Government Act 2002, which includes the requirement to comply with NZ IFRS.

Council's operations are grouped into the following groups of activities:

- **Leading the Franklin District** which includes Representation, Strategic Planning and Policy
- **Growing the Franklin Economy** which includes Economic Development, Town Centre Management
- **Moving around Franklin** which includes Land Transportation
- **Protecting the Franklin Environment** which includes Building, Regulatory, Emergency Management, Land Drainage, Solid Waste Management, Stormwater, Wastewater and Water Supply

- **Living and Playing in Franklin** which includes Art and Culture, Community Partnerships, Community Facilities, Open Spaces and Amenities.

## BASIS OF FINANCIAL STATEMENT PREPARATION

The financial statements have been prepared on an historical cost basis, modified by the revaluation of certain assets and liabilities, and certain classes of property, plant and equipment and investment property.

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates associated with assumptions are based on historical experience and various other factors that are believed reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period(s) in which the estimate is revised.

The accounting policies set out below will be applied consistently to all periods presented in the financial statements and in preparing an opening NZ IFRS balance sheet at 1 July 2005 for the purposes of the transition to NZ IFRS.

## ACCOUNTING POLICIES

Reliance is placed on the fact that sufficient funds are available or will be received to maintain current operations at current levels.

### Basis of Consolidation

#### Subsidiaries

The consolidated financial statements include Franklin District Council and its two in-substance subsidiaries – Franklin District Library Trust and Franklin Arts and Cultural Trust. The entities are accounted for using the purchase method, which involves adding together corresponding assets, liabilities, revenues and expenses on a line-by-line basis.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of the acquisition or up to the effective date of the disposal, as appropriate.

All significant inter-entity transactions are eliminated on consolidation.

### Joint Venture Entities

The interest in a joint venture is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of the movements in reserves is recognised in the reserves of the balance sheet. Details relating to the partnership are set out in the notes to the financial statements.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of Council's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

### Budget Figures

The budget figures are those approved by the Council at its meeting to adopt the Draft Franklin District Annual Plan 2016 by 30 June 2007. The budget figures have been prepared in compliance with NZ IFRS and are in line with the accounting policies adopted by the Council for the preparation of the financial statements.

### Foreign Currency Transaction

The functional and presentation currency is New Zealand Dollars.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the time of the transaction.

### Financial Instruments and Hedging

Council is party to financial instruments as part of its normal operations. These include bank accounts, investments, debtors, creditors and loans. All instruments are recognised in the balance sheet and all revenues and expenses are recognised in the income statement.

Council has a negligible credit risk in respect of its investments, by having a policy of only investing within the limitations of the Trustee Act in well established banks, government stock and with other local authorities, with a limitation of 30% with any one organisation. Because outstanding rates are deemed to be a charge on the land, Council's exposure to risk is minimal.

Council's shareholding and guarantees are shown in the case of investments at the lower of cost or estimated market value, and in the case of guarantees at the maximum amount guaranteed. Derivative financial instruments and hedging are allowable in Council's Revenue and Funding Policy however these options are not currently being utilised.

### Property, Plant and Equipment

Property, Plant and Equipment consists of:

- **Operational Assets** - land, buildings, improvements, plant and equipment and motor vehicles and transfer stations.
- **Restricted Assets** - parks and reserves, which are owned by Council which provide benefit or service to the community and cannot be disposed of because of legal or other restrictions
- **Infrastructure Assets** - fixed utility systems / networks owned by the Council – the roading network, the water supply reticulation and its related reservoirs and bores, wastewater assets, stormwater assets and land drainage assets.

### Valuation of Assets

All assets are valued at historical or deemed cost when the District was constituted on 1 November 1989, except for the assets listed below. Historical cost included expenditure that is directly attributable to the acquisition of the assets.

#### Infrastructure Assets

The following assets are shown at fair value based on annual valuations carried out by external independent valuers (or Council staff with the valuation methodology and calculations independently audited), less subsequent depreciation. Any accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Revalued asset must be carried at a value not materially different from fair value.

- **Roading Infrastructure Assets and Land Under Roads** were valued by Gregg Morrow of Opus International Consultants Limited, independent registered engineers, as at 30 June 2006. The valuation has been performed in accordance with the guidelines in Financial Reporting Standard 3 (Accounting for Property, Plant and Equipment) (FRS3) and with New Zealand Local Authority Asset Management Practice, New Zealand Infrastructure Asset Management Manual and Valuation/ Depreciation guidelines.
- **Water Supply Infrastructure Assets** were valued by Franklin District Council staff based on depreciated replacement cost methodology as at 30 June 2006. The valuation methodology and calculations were audited by Wilson Penman, Registered Valuer of ValNet Ltd. The valuation methodology is consistent with the guidelines in International Accounting Standard 16 (Property Plant & Equipment) (IAS16) (formerly Financial Reporting Standard 3 (Accounting for Property, Plant and Equipment) (FRS 3), Valuation standard VS3 and NAMS "NZ Infrastructure Asset Valuation and Depreciation Guidelines" – Edition 1.0 released in April 2001 and subsequent amendments.
- **Wastewater Infrastructure Assets** were valued by Franklin District Council staff based on depreciated replacement cost

methodology as at 30 June 2006. The valuation methodology and calculations were audited by Wilson Penman, Registered Valuer of ValNet Ltd. The valuation methodology is consistent with the guidelines in International Accounting Standard 16 (Property Plant & Equipment) (IAS16) (formerly Accounting for Property, Plant and Equipment) (FRS 3), Valuation standard VS3 and NAMS "NZ Infrastructure Asset Valuation and Depreciation Guidelines" – Edition 1.0 released in April 2001 and subsequent amendments.

- *Stormwater* Infrastructure Assets were valued by Franklin District Council staff based on depreciated replacement cost methodology as at 30 June 2006. The valuation methodology and calculations were audited by Wilson Penman, Registered Valuer of ValNet Ltd. The valuation methodology is consistent with the guidelines in International Accounting Standard 16 (Property Plant & Equipment) (IAS16) (formerly Accounting for Property, Plant and Equipment) (FRS 3), Valuation standard VS3 and NAMS "NZ Infrastructure Asset Valuation and Depreciation Guidelines" – Edition 1.0 released in April 2001 and subsequent amendments.
- *Land Drainage* Infrastructure Assets were valued by Franklin District Council staff based on depreciated replacement cost methodology as at 30 June 2006. The valuation methodology and calculations were audited by Wilson Penman, Registered Valuer of ValNet Ltd. The valuation methodology is consistent with the guidelines in International Accounting Standard 16 (Property Plant & Equipment) (IAS16) (formerly Accounting for Property, Plant and Equipment) (FRS 3), Valuation standard VS3 and NAMS "NZ Infrastructure Asset Valuation and Depreciation Guidelines" – Edition 1.0 released in April 2001 and subsequent amendments.

Increases in the carrying amounts arising on revaluation of an asset are credited to revaluation reserves in ratepayer's equity. To the extent that the revaluation reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the income statement.

#### Asset Additions

Additions between valuations are recorded at cost, except for vested assets.

Assets are vested in the Council as part of the subdivision process. Reserve land is valued at the latest certified valuation as provided by the Council's nominated valuation service provider. Vested infrastructure assets are valued based on the actual quantities of infrastructure components vested and the current "in the ground" cost of providing identical services. The fair value of vested assets is

recognised as income in the income statement.

Only assets with a life of over one year and value of over \$2,000 are capitalised. Capital expenditure during the year on uncompleted projects is classified as Capital Work in Progress and recorded at fair value.

Subsequent expenditure on an asset which restores or increases the service potential of the asset beyond the current economic benefit of that asset is capitalised.

#### Depreciation

Depreciation has been provided using the decline in service potential method at component level resulting in economic life ranges within the asset categories listed below.

<i>Land</i>	Not Depreciated	
<i>Buildings</i>	40 to 80 years	Straight Line
<i>Land Improvements</i>	15 to 50 years	Straight Line
<i>Motor Vehicles</i>	4 years	Diminishing Value
<i>Furniture &amp; Fittings</i>	5 to 10 years	Diminishing Value
<i>Computer &amp; Communications</i>	3 to 5 years	Straight Line

Infrastructure assets are depreciated on a straight-line basis. The useful lives are as follows:

Water Reticulation		
Pipes (1)		40-80 years
Valves, Hydrants		60 years
Pump Stations		10 to 20 years
Reservoirs & Tanks		15 to 80 years
Wastewater Reticulation		
Pump Stations		25 years
Reticulation (1)		50 to 80 years
Treatment Plant		5 to 50 years
Roads		
Land & Formation		Not depreciated
Pavement (sealed) (2)		30 to 50 years
Pavement (unsealed) (2)		30 years
Surfacing (2)		8 to 12 years
Footpaths		100 years
Kerb & Channel		60 years
Drainage		60 years
Bridges & Culverts		65 to 100 years
Stormwater Systems		
Pipes		50 to 80 years
Manholes, Cesspits		80 years
Flood Control Systems		25 to 100 years

#### Notes:

- (1) Life depends on material type of pipe; (2) Life depends on road type and traffic volumes.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income

statement. When revalued assets are sold, the amount included in revaluation reserves in respect of those assets is transferred to retained earnings.

### **Intangible Assets – Computer Software**

Acquired software licences are capitalised on the basis incurred to acquire and bring into use specific software. These costs are amortised over their estimated useful lives.

Costs that are directly associated with production of identifiable and unique software products and that will generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

### **Investments**

Investments apart from shares are stated at cost. Shares vested in Council are stated at the lower of their face value and/or their anticipated realisable value.

- Financial assets or financial liabilities at fair value through profit or loss. Financial assets have two categories 1) financial assets held for trading and 2) those designated at fair value through profit and loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.
- Financial Assets are those held for trading and are acquired principally for the purpose of selling in the short term and if so designated by management.
- Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
- Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity.
- Community loans are held to maturity assets and are stated at fair value.  
Management determines the classification of its investments at initial recognition and re-evaluates the designation at every reporting date.
- Investment properties are properties which are held either to earn rental income or for capital appreciation, or both. Investment properties are stated at fair value. The fair values are based on market values, being the estimated amount for which a property could be exchanged at the date of valuation between a willing buyer and a willing seller.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences

arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the income statement.

### **Trade and Other Receivables**

Trade and other receivables are stated at their cost less impairment losses.

### **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances and call deposits, and other short term highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of Council's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows, and in current liabilities on the balance sheet.

### **Impairment**

The carrying amount of Council's assets, other than investment property and inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

#### *Calculation of Impairment*

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a rate that reflects current market assessments at the time value of money and the risks specific to the asset.

### **Provisions**

A provision is recognised in the balance sheet when Council has a present legal or constructive obligation as the result of a past event and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provision has been made for future environmental obligations in respect of closed landfills and other assets. This has been made in accordance with International Accounting Standard 37 (formerly Financial Reporting Standard 15 (FRS 15) "Provisions, Contingent Liabilities and Contingent Assets").

### **Employee Entitlements**

Provision is made in respect of the Council's liability for annual leave, long service leave and retirement gratuities. Annual leave has been calculated on an actual entitlement basis at current rates of pay. The provisions are made on an actual entitlement basis at current rates.

## Revenue

Rates are recognised as income at the time of the rate strike.

Government grants are recognised as revenue when eligibility has been established by grantor agencies. Other grants and vested assets are recognised as revenue when control over the assets is obtained. Other income is accounted for when the service is provided.

Financial and subdivision contributions are recognised as revenue when payment is made.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

## Expenditure

Operating lease payments are where the lessors effectively retain substantially all the risks and benefits of the leased item. Payments under these leases are charged as expenses in the periods in which they are incurred.

## Goods and Services Tax

The financial statements are shown exclusive of Goods and Services Tax, with the exception of receivables and payables which are stated as GST inclusive. When GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

Third Party Transfer Payment Agencies

Council collects monies for many organisations. Where collections are processed through Council's books, any monies held are shown as accounts payable in the balance sheet. Amounts collected on behalf of third parties are not recognised as revenue, but commissions earned from acting as agent are recognised as revenue.

## Cost of Services Statements

The Cost of Services Statements report the net cost of services for the significant activities of Council. They are represented by all costs of providing the service less all revenue that can be allocated to those activities.

## Overhead Allocation

Direct Costs are those costs directly attributable to a significant activity. Indirect costs are charged to significant activities based on related activity/usage and cost drivers.

The costs of organisational support services (i.e. Customer Services Team, Executive and Finance, etc) have been allocated to each significant activity on the basis of appropriate cost drivers such as square footage, numbers of employees, actual usage etc.

## Equity

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Public equity is classified into a number of reserves to enable clearer identification of the specified uses the Council makes of its accumulated surpluses.

The components of equity are:

- Accumulated Funds
- Restricted Reserves
- Council-created Reserves
- Asset Renewal Reserves
- Asset Revaluation Reserves

Reserves represent components of equity assigned for a particular use. Restricted reserves are subject to specific conditions and may not be revised by Council without reference to the courts or a third party. Council created reserves are established by Council resolutions and transfers to and from these reserves may be made at the discretion of Council.

## Statement of Cash Flows

- Cash: represents cash balances on hand, held in bank accounts or overdrafts and call deposits which the Council invests as part of its day to day cash management.
- Operating Activities: includes cash received from all income sources and paid to all suppliers of goods and services. Agency collections and payments are included as they flow through the Council's main bank account.
- Investing Activities: relate to the acquisition and disposal of non-current assets.
- Financing Activities: represent activities that change the equity and debt capital structure of the Council.

## Changes in Accounting Policies

There are no changes to the Accounting Policies.

