

Part Three – Financial Forecast Statements

Financial Forecast Statements

- Prospective Statement of Comprehensive Income
- Prospective Statement of Changes In Equity
- Prospective Balance Sheet
- Prospective Cash Flow Statement
- Prospective Capital & Project Expenditure
- Statement of Accounting Policies

Part Three – Financial Forecast Statements

Financials

These Financials are prepared on the basis of best estimates available at the time of preparing the accounts. Actual results are likely to vary from the information presented and the variations may be material.

Wairoa District Council has authorised the issue of these prospective financial statements. The Council and Management of the Wairoa District Council are responsible for the prospective financial statements, including the appropriateness of the assumptions and all other required disclosures.

The prospective Financial Statements have been prepared as part of the process of the 2009-19 LTCCP process, and these prospective financial statements may not be appropriate for purposes other than for inclusion in the LTCCP.

Part Three – Financial Forecast Statements

PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME										
LTCCP 2009-2019										
	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
REVENUES										
Rates	8,600,288	9,667,867	10,630,867	11,108,492	11,333,382	11,631,741	11,937,246	11,988,176	12,483,855	12,538,218
Subsidies	6,508,214	10,544,731	6,147,210	6,212,945	6,481,423	6,508,381	6,677,779	6,839,153	7,211,259	7,368,295
Petrol Tax	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Fees and Charges	1,756,695	1,958,894	1,990,936	2,063,077	2,139,288	2,183,571	2,212,044	2,290,096	2,328,992	2,366,645
Investment Income	1,153,835	1,205,028	1,382,100	1,436,711	1,490,299	1,655,933	1,601,995	1,714,605	1,714,768	1,772,450
	18,089,032	23,446,520	20,221,113	20,891,225	21,514,392	22,049,626	22,499,064	22,902,030	23,808,874	24,115,608
EXPENDITURE										
Water Services	2,811,111	3,184,578	3,940,488	4,215,573	4,342,329	4,449,335	4,602,819	4,668,667	4,737,531	4,926,631
Solid Waste	965,700	1,113,323	1,111,035	1,166,800	1,181,170	1,205,383	1,244,348	1,261,018	1,288,493	1,335,820
Transport	8,810,600	9,175,461	9,657,496	9,829,666	10,220,090	10,450,824	10,680,267	10,909,218	11,160,984	11,398,145
Community Facilities	1,807,610	1,929,806	1,940,283	2,046,041	2,080,699	2,128,848	2,194,099	2,219,516	2,298,964	2,347,414
Planning & Regulatory	1,352,610	1,393,108	1,394,640	1,346,057	1,359,163	1,394,348	1,440,907	1,459,282	1,497,905	1,554,340
Leadership & Governance	1,378,750	1,451,054	1,568,037	1,640,406	1,676,987	1,794,542	1,759,307	1,790,412	1,932,912	1,897,869
Investments	63,070	96,318	76,239	81,780	77,645	86,788	87,640	79,880	76,839	104,412
Corporate	40,500	40,500	105,500	40,500	40,500	105,500	40,500	40,500	105,500	15,500
	17,229,951	18,384,148	19,793,718	20,366,823	20,978,583	21,615,568	22,049,887	22,428,493	23,099,128	23,580,131
Net Surplus (Deficit) on Operations	859,081	5,062,372	427,395	524,402	535,809	434,058	449,177	473,537	709,746	535,477
Plus Profit on sale of fixed assets										
Revaluation increases										
Net Surplus/(Deficit) after taxation	859,081	5,062,372	427,395	524,402	535,809	434,058	449,177	473,537	709,746	535,477
OTHER COMPREHENSIVE INCOME										
Gains (Loss) on property revaluation		22,536,324			15,009,419			15,211,825		
TOTAL COMPREHENSIVE INCOME	859,081	27,598,696	427,395	524,402	15,545,228	434,058	449,177	15,685,362	709,746	535,477
Expenditure Includes:										
Depreciation	3,613,046	3,879,329	4,084,590	4,167,855	4,462,082	4,553,330	4,648,387	4,700,210	4,805,945	4,927,025
Interest	92,814	194,734	591,884	603,407	610,557	640,178	647,328	654,478	661,628	668,778

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WAIROA DISTRICT COUNCIL											
PROSPECTIVE STATEMENT OF CHANGES IN EQUITY											
LTCCP 2009-2019											
		BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Public Equity Opening Balance		184,764,316	185,623,397	213,222,093	213,649,488	214,173,890	229,719,118	230,153,176	230,602,353	246,287,715	246,997,461
Total Comprehensive Income for year		859,081	27,598,696	427,395	524,402	15,545,228	434,058	449,177	15,685,362	709,746	535,477
Closing Balance		185,623,397	213,222,093	213,649,488	214,173,890	229,719,118	230,153,176	230,602,353	246,287,715	246,997,461	247,532,938

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PROSPECTIVE BALANCE SHEET										
LTCCP 2009-2019										
	30.6.10	30.6.11	30.6.12	30.6.13	30.6.14	30.6.15	30.6.16	30.6.17	30.6.18	30.6.19
	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
CURRENT ASSETS										
Cash & Cash equivalents	2,704,743	3,379,517	4,124,922	4,657,508	5,260,718	5,951,021	6,648,594	7,301,277	7,966,247	8,566,507
Inventories	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000
Trade & other receivables	3,300,000	3,897,238	3,934,537	4,070,325	4,191,006	4,316,417	4,451,426	4,597,071	4,748,102	4,913,983
Financial assets at fair value through profit & loss	12,211,154	11,808,724	12,099,143	12,624,790	13,474,146	14,453,198	15,451,891	16,435,134	17,465,665	17,903,595
	18,253,897	19,123,479	20,196,602	21,390,623	22,963,870	24,758,636	26,589,911	28,371,482	30,218,014	31,422,085
LESS CURRENT LIABILITIES										
Trade and other payables	4,293,539	4,807,637	4,980,505	5,100,724	5,208,063	5,319,695	5,439,914	5,568,720	5,701,820	5,847,800
	4,293,539	4,807,637	4,980,505	5,100,724	5,208,063	5,319,695	5,439,914	5,568,720	5,701,820	5,847,800
Working Capital	13,960,358	14,315,842	15,216,097	16,289,899	17,755,807	19,438,941	21,149,997	22,802,762	24,516,194	25,574,285
NON CURRENT ASSETS										
Property, Plant & Equipment	172,581,053	201,396,036	206,961,328	206,513,136	220,617,892	219,734,452	218,484,121	232,523,604	231,540,847	231,013,732
Loans & other Receivables	89,090	168,459	254,737	346,379	444,283	548,132	661,374	781,328	888,329	1,022,730
Investments in Subsidiary	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Biological asset - Forestry	130,000	140,660	144,430	148,460	152,620	157,040	161,850	166,010	169,780	173,680
Available for sale financial assets	22,992	22,992	22,992	22,992	22,992	22,992	22,992	22,992	22,992	22,992
Intangible Assets	52,000	52,000	52,000	52,000	52,000	52,000	52,000	52,000	52,000	52,000
	174,125,135	203,030,147	208,685,487	208,332,967	222,539,787	221,764,616	220,632,337	234,795,934	233,923,948	233,535,134
NON CURRENT LIABILITIES										
Term Debt	1,427,900	2,995,900	9,105,900	9,283,180	9,393,180	9,848,885	9,958,885	10,068,885	10,178,885	10,288,885
Employee Entitlements	334,196	334,196	334,196	334,196	334,196	334,196	334,196	334,196	334,196	334,196
Landfill Aftercare	700,000	793,800	812,000	831,600	849,100	867,300	886,900	907,900	929,600	953,400
	2,462,096	4,123,896	10,252,096	10,448,976	10,576,476	11,050,381	11,179,981	11,310,981	11,442,681	11,576,481
Net Assets	185,623,397	213,222,093	213,649,488	214,173,890	229,719,118	230,153,176	230,602,353	246,287,715	246,997,461	247,532,938
Equity										
Reserves	66,526,354	66,670,693	67,526,191	86,079,753	87,552,214	89,186,314	90,872,449	92,571,845	112,999,307	114,370,939
Retained Earnings	119,097,043	146,551,400	146,123,297	128,094,137	142,166,904	140,966,862	139,729,904	153,715,870	133,998,154	133,161,999
	185,623,397	213,222,093	213,649,488	214,173,890	229,719,118	230,153,176	230,602,353	246,287,715	246,997,461	247,532,938

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PROSPECTIVE CASH FLOW STATEMENT												
LTCCP 2009-2019												
		BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	
OPERATING ACTIVITIES												
Cash will be provided from												
Rates		8,600,288	9,667,867	10,630,867	11,108,492	11,333,382	11,631,741	11,937,246	11,988,176	12,483,855	12,538,218	
Other revenue		9,488,744	13,778,653	9,590,246	9,782,733	10,181,010	10,417,885	10,561,818	10,913,854	11,325,019	11,577,390	
		18,089,032	23,446,520	20,221,113	20,891,225	21,514,392	22,049,626	22,499,064	22,902,030	23,808,874	24,115,608	
Cash will be applied to												
Operations Expenditure		17,229,951	18,384,148	19,793,718	20,366,823	20,978,583	21,615,568	22,049,887	22,428,493	23,099,128	23,580,131	
Less Depreciation		3,613,046	3,879,329	4,084,590	4,167,855	4,462,082	4,553,330	4,648,387	4,700,210	4,805,945	4,927,025	
Less Interest		92,814	194,734	591,884	603,047	610,557	640,178	647,328	654,478	661,628	668,778	
Payments to Suppliers & Employees		13,524,091	14,310,085	15,117,244	15,595,921	15,905,944	16,422,060	16,754,172	17,073,805	17,631,555	17,984,328	
Interest Paid		92,814	194,734	591,884	603,047	610,557	640,178	647,328	654,478	661,628	668,778	
		13,616,905	14,504,819	15,709,128	16,198,968	16,516,501	17,062,238	17,401,500	17,728,283	18,293,183	18,653,106	
Net Cash Flow from Operations		4,472,127	8,941,701	4,511,985	4,692,257	4,997,891	4,987,388	5,097,564	5,173,747	5,515,691	5,462,502	
INVESTING ACTIVITIES												
Cash will be provided from												
Sale of Assets		35,000	45,000	30,000	10,000	55,000	40,000	25,000	30,000	10,000	40,000	
Sale of Short term Investments		335,660	552,431	150,000	200,000	250,000	300,000	300,000	300,000	300,000	300,000	
		370,660	597,431	180,000	210,000	305,000	340,000	325,000	330,000	310,000	340,000	
Cash will be applied to												
Asset purchases & formation		5,510,737	10,202,988	9,679,882	3,729,663	3,612,420	3,709,620	3,423,056	3,557,868	3,833,188	4,439,910	
Increase in Loans & Advances		(66,413)	79,370	86,278	91,642	97,904	103,848	113,242	119,953	107,002	134,401	
Investments purchased		150,000	150,000	290,420	725,646	1,099,357	1,279,322	1,298,693	1,283,243	1,330,531	737,931	
		5,594,324	10,432,358	10,056,580	4,546,951	4,809,681	5,092,790	4,834,991	4,961,064	5,270,721	5,312,242	
Net Cash Flows from Investing		(5,223,664)	(9,834,927)	(9,876,580)	(4,336,951)	(4,504,681)	(4,752,790)	(4,509,991)	(4,631,064)	(4,960,721)	(4,972,242)	
FINANCING ACTIVITIES												
Cash will be provided from												
Loans Raised		902,900	1,568,000	6,110,000	177,280	110,000	455,705	110,000	110,000	110,000	110,000	
Cash will be applied to												
Loans Repaid		-	-	-	-	-	-	-	-	-	-	
Net Cash Flows from Financing		902,900	1,568,000	6,110,000	177,280	110,000	455,705	110,000	110,000	110,000	110,000	
Net Increase/(Decrease)		151,363	674,774	745,405	532,586	603,210	690,303	697,573	652,683	664,970	600,260	
Plus opening bank balance		2,553,380	2,704,743	3,379,517	4,124,922	4,657,508	5,260,718	5,951,021	6,648,594	7,301,277	7,966,247	
Bank balance at end of year		2,704,743	3,379,517	4,124,922	4,657,508	5,260,718	5,951,021	6,648,594	7,301,277	7,966,247	8,566,507	

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Wairoa DISTRICT COUNCIL											
2009 -19 LTCCP CAPITAL & PROJECT EXPENDITURE											
FUNDING		2009/10	2010/11	20011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Loan	Cemetery - Mahia Cemetery				67280						
DDF	Cemetery - new beams and ashes garden		33270					37170			
DDF	Cemetery - reseal roads/parking										53120
DDF	Planning - Reserves Mgmt Plans	50000	50000	50000							
DDF	Planning - Mahia Archaeology Project	50000	50000	50000							
DDF	Planning - Plan Development	20000	20000	20000							
DDF	C/Ground - new kitchen ceiling	2500									
DDF	C/Ground - remodel kitchen		14417								
DDF	C/Ground - replace carpet - cabins	3000									
RATES	C/Ground - repaint house exterior	4000									
RATES	C/Ground - repaint TV room					3564					
DDF	C/Ground - reseal driveways (hotmix)								38010		
DDF	C/Ground - reseals roundabout & cabin area								14571		
DDF	Emergency Mgmt - replace Mahia appl		60000								
Depn Res/Asset Sale	Emergency Mgmt - replace vehicle					30000					30000
Depn Res	Emergency Mgmt - replace roller doors Mahia	15000									
Depn Res	Emergency Mgmt - replace rural fire radios				30000						
RATES	Enterprise Bldg - replace awning		2500								
RATES	Enterprise Bldg - replace curtains	2000									
Depn Res(1900)/RATES	Enterprise Bldg - replace carpet	5000									
Depn Res/Asset Sale	Building Control - replace vehicle				25000					25000	
Depn Res/Asset Sale	Bylaw Control - replace vehicles			60000		30000			60000		30000
Depn Res/Asset Sale	Environmental Health - replace vehicle	25000					25000				
DDF	Pensioner Housing - carpet 3 flats	8000									
DDF	Pensioner Housing - repaint Tunnerflint		13308								
DDF	Pensioner Housing - repaint Livingstone		22180								
Depn Res	Pensioner Housing - replace windows			11340	29000	29700	30325	30975			
Depn Res	Pensioner Housing - reseal accessways								7548		
DDF	Staff Housing Ftown - paint/carpet/paper	8000									
RATES	Staff Housing - paint roof - Campbell st			2000							
RATES	Staff Housing - replace curtains- Campbell st	1500									
RATES	Staff Housing - replace carpet- Campbell st		5000								
Depn Res	Library - books	35000	35000	35000	30000	30000	30000	30000	30000	30000	30000
Depn Res	Library - air conditioning							12390			
Depn Res	Library - dumb waiter	10000									
Depn Res	Library - New front entrance verandah			11340							
Depn Res	Library - replace stock security system					17820					
Depn Res	Library - automatic front doors									0	
RATES	Admin Building - repaint Ext Lucknow St		10000								
RATES	Admin Building - repaint Ext Queen St			20000							

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Depn Res	Parks & Res - Resurface Standring Pk			113400							
DDF	Parks & Res - riverbank planting	3000									
DDF	Parks & Res - planting old landfill perimeter	5000									
DDF	Parks & Res - riverbank seating-walkway	5000									
DDF	Parks & Res - lighthouse windows upgrade	2000									
RATES	Parks & Res - Implement Pohutukawa RMP										
RATES	Parks & Res - Implement Opoutama RMP										
RATES	Parks & Res - Implement Tuai RMP										
DDF	District Rooding - New Footpaths	110000	110000	110000	110000	110000	110000	110000	110000	110000	110000
Depn Res	District Rooding - Footpath renewals	20000	21900	22320	22960	23500	24060	24600	25160	25760	26380
DDF	District Rooding - New Streetlights	6000	6570	6696	6888	7050	7218	7380	7548	7728	7914
Depn Res/Subsidy	Dist Rooding - upgrade mobility crossings	10000	10950	11160	11480	11750	12030	12300	12580	12880	13190
DDF/Subsidy	Dist Road - Constr Kopu Rd (Outram/Rose)	200000									
RATES	Parking - Remark carparks	5000					6065				
Depn Res	Parking - reseal carparks (general)										65950
Depn Res	Parking - Hotmix Clyde Court										263800
Depn Res	Parking - Wairoa Power										131900
Subsidy/DDF	Subsidised Rooding renewals	2078337	2340222	2453030	2535950	2609729	2686434	2761608	2840989	2925903	3013666
Subsidy/DDF	Subs Rd Projects (if Approved for subsidy)	720000	164250	167400		176250				322000	263800
100% Subsidised	Subsidised Rooding RDR projects	630000	240000								
Depn Res	Stormwater - renewals	50000	22180	22680	23200	23760	24260	24780	25340	25940	26560
Loan	Stormwater - Piping open drains Wairoa	110000	110000	110000	110000	110000	110000	110000	110000	110000	110000
Loan	Stormwater - Mahia Pipelines - new	192900									
Depn Res	Sewerage - renewals Wairoa	250000	44360	182574	46400	72468	48520	75579	50680	51880	53120
Depn Res	Sewerage - renewals Tuai	30000									
Depn Res	Sewerage - desludging Wairoa WWTP		221800								
DDF	Sewerage - Mobile generator		27725								
DDF	Sewerage - Telemetry setup for office		55450								
Loan	Sewerage - Wairoa Tertiary Tmt - consultancy						30325				
Loan	Sewerage - Wairoa Tertiary Tmt						315380				
Loan/Subsidy	Sewerage - Mahia Treatment Plant		6000000	6000000							
Depn Res/DDF	Airport - investigate runway lighting			5670							
Depn Res/DDF	Airport - Upgrade runway lighting				29000						
DDF	Airport - Runway resurfacing				464000						
Loan	Waste Mgmt - New landfill cell	500000									
Loan	Waste Mgmt - Recycling Centre Upgrade	100000									
Depn Res	Water Retic - renewals - Wairoa	185000	96985	98940	101745	104465	107865	111010	114835	118405	122230
Depn Res	Water Retic - renewals - Tuai			116400							
Depn Res	Water Treatment renewals	94000	34379	60102	30160	125928	25473	7434	26607	46692	13280
DDF	WTP - Liquid Alum installation		200000								
DDF	WTP - UV Disinfection		221800								
WT Reserve	WTP - New garage (if Liq Alum goes ahead)				11600						
Depn Res/Asset Sale	Admin - vehicle replacement	25000				25000	25000				25000
Depn Res/Asset Sale	Engineering - vehicle replacement	30000	90000			30000	40000	50000			
Depn Res	Computer Services renewals	59000	67500	87500	45000	45000	58000	55000	84000	21000	50000

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Statement of Accounting Policies

Reporting entity

Wairoa District Council (WDC) is a territorial local authority in New Zealand governed by the Local Government Act 2002. The Council group consists of Wairoa District Council and its 100% owned subsidiary, Quality Roading and Services (Wairoa) Ltd (QRS Ltd).

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

The prospective financial statements of WDC are for the years ended 30 June 2010 to 30 June 2019. The financial statements were authorised for issue by Council. The financial statements will be updated on 30 June 2012.

Basis of Preparation

The financial statements of the Wairoa District Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with the New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, FRS-42 and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

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

The financial statements have been presented in New Zealand dollars. Foreign exchange transactions are translated into New Zealand dollars using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of financial performance.

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

Revenue

Revenue is measured at the fair value of consideration received.

Rates revenue

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

Other Revenue

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

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

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

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Sales of goods are recognised when a product is sold to the customer.

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

Revenue on construction contracts is recognised progressively over the period of each contract. The amount included in the statement of financial performance, and the value of the contract work in progress are established by assessment of the individual contracts taking into account the proportion of work completed, cost analysis and estimated final results.

When the contract income cannot be reliably measured, revenue is recognised only to the extent of the expenses recognised which are recoverable.

Income Tax

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available

against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arose from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

Current and deferred tax is charged or credited to the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the tax is charged or credited directly to equity.

LEASES

Operating Lease

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash or cash equivalents

Cash or cash equivalents comprise cash balances and call deposits, and other short-term highly liquid investments with maturities of three months or less.

Trade and Other Receivables

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method less an allowance for any uncollectible amounts.

An allowance for uncollectible receivables is established when there is objective evidence that WDC will not be able to collect all amounts due according to the original terms of receivables.

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Inventories

Inventories are stated at the lower of cost (on a first in first out basis) or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Financial Assets

Wairoa District Council classifies its financial assets into the three categories as detailed under A, B and C below. The classification depends on the purpose for which the financial assets were acquired.

Management determines the classification of its financial assets at initial recognition and re-evaluates this classification at each reporting date.

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

Purchases and sales of financial assets are recognised on trade-date, the date on which WDC commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and WDC has transferred substantially the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on the quoted market prices at the balance sheet date. The quoted price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. WDC uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

A. Financial assets at fair value through profit and loss

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Included in this category are short-term investments, which are valued at fair value.

Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

After initial recognition they are measured at their fair values. Gains or losses on remeasurement are recognised in the statement of financial performance.

Council has classified its investments as financial assets at fair value through profit and loss. The portfolio includes investments in local authority and government stock, registered bank bills and bonds, and corporate stocks and bonds. The reason for the classification is that the investments were acquired for the purpose of selling and trading in the near term, and they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a pattern of short-term profit-taking. In addition, there is a quoted market price in an active market where fair value can be reliably measured.

B. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Included in this category are sinking funds that are valued at amortised cost. Community loans are included at amortised cost.

Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance.

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C. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available for sale or not designated in any of the other categories. Available for sale financial assets are held at fair value with gains or losses recognised directly in equity with the exception of impairment losses that are recognised in the statement of financial performance. In the event of impairment, any cumulative losses previously recognised in equity, will be removed from equity and recognised in the statement of financial performance, even though the asset has not been derecognised.

Impairment of Financial Assets

At each balance date WDC assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the income statement.

Loans and Other Receivables

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

original terms of the instrument. Significant financial difficulties of the issuer, probability the issuer will enter into bankruptcy, and default in payments are considered indicators that the instrument is impaired.

Quoted and unquoted equity investments

A significant or prolonged decline in the fair value of the investment below its cost is considered an indicator of impairment. If such evidence exists the cumulative loss is removed from equity and recognised in the statement of financial performance. Impairment losses recognised in the statement of financial performance are not reversed through the statement of financial performance.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Non-current assets held for sale

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

An impairment loss is recognised for any write down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell, but not in excess of any cumulative impairment loss previously recognised.

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

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Property, Plant & Equipment

Property, Plant & Equipment consists of:

Operational Assets – These include land, buildings, library books, plant and equipment and motor vehicles

Restricted assets – Restricted assets are parks and reserves owned by WDC that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

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

Property, Plant & Equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Additions

Additions of an item of property, plant and equipment are recognised at cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the statement of financial performance. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that the future economic benefits or service potential

associated with the item will flow to WDC and the cost of the item can be measured reliably.

Depreciation

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

Our subsidiary company QRS Ltd. uses the diminishing value basis for depreciating plant, equipment and motor vehicles, office equipment and furniture, and computer hardware.

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

Property, Plant & Equipment Estimated Life	Years
Quarries	30-40
Buildings	30-40
Other Improvements	10-50
Plant, Equipment & Vehicles	4-10
Library Collection	2-10
Office Equipment, Furniture & Fittings	5-10
Computer Equipment	4-5

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SEWAGE	Life years	STORMWATER	Life years
Structures	50	Reticulation piping	50-100
Oxidation ponds	40	Culverts	50-100
Pipes	80-100	Manholes/Sumps	50-100
Manholes	100	Open Drains	Not depreciated
Pumps	10-15		
Plant	10-15		
Resource Consents	25		
WATER SUPPLY	Life years	ROADS	Life years
Structures	50	Top Surface (seal)	13
Pumps	15-20	Basecourse (sealed roads)	60
Reticulation Piping	60-100	Formation	Not depreciated
Meters	20	Unsealed Roads	Not depreciated
Hydrants	40	Bridges	20-80
Resource Consents	20-25	Footpaths	15-40
Reservoirs	80	Kerbs	50
		Streetlights (Poles)	50

Application of the estimated useful economic lives of assets are subject to change depending on the individual circumstances of the asset, particularly when assets are revalued and the valuers provide an annual depreciation figure.

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

Revaluation

Those assets classes that are revalued are valued on a three yearly valuation cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. If there is a material difference then a revaluation is performed.

Increases in asset carrying amounts, due to revaluation, increase revaluation reserves in equity. Decreases in asset carrying amount decrease revaluation reserves in equity only to the extent that the class of asset has sufficient reserves to absorb the reduction. All other decreases are charged to the income statement. If a revaluation increase reverses a decrease previously recognised in the statement of financial performance, the increase is recognised first in the statement of financial performance to reverse any previous reduction.

Operational land and buildings

Operational land and buildings were valued at fair value effective from 30 June 2005. Under NZ IFRS, WDC has elected to use the fair value of operational land and buildings as at 30 June 2005 as deemed cost. Operational land and buildings are no longer revalued.

Restricted land and buildings

Restricted land and buildings were valued at fair value effective from 30 June 2005. Under NZ IFRS, WDC has elected to use the fair value of restricted land and buildings as at 30 June 2005 as deemed cost. Restricted land and buildings are no longer revalued.

Infrastructure asset classes: roads, water reticulation, sewerage reticulation and stormwater systems:

Infrastructure assets are carried at fair value on a depreciated replacement cost basis as assessed by an independent valuer. At balance date WDC assesses the carrying values of its infrastructure assets to ensure that they do not differ materially from the assets' fair

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value. If there is a material difference, then the off-cycle asset classes are revalued. Any additions since valuation are carried at depreciated cost.

Land under Roads

Land under roads was valued on the basis of fair value of adjacent land as at 30 June 2005. Under NZ IFRS, WDC has elected to use the fair value of land under roads as at 30 June 2005 as deemed cost.

Intangible Assets

Software acquisition and development

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

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

Amortisation

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

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

Computer software	3 years	33%
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Impairment of property, plant and equipment and 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. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash flows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

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

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

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

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

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the statement of financial performance.

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Forestry Assets

Forestry assets are independently valued annually at fair value less estimated costs to sell for one growth cycle. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs and silvicultural costs and taking into consideration environmental, operational and market restrictions.

Gains or losses arising on the initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the statement of financial performance. The costs to maintain forestry assets are included in the statement of financial performance.

Investment Property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation. Investment property is measured initially at its cost including transaction costs.

After initial recognition, WDC measures all investment property at fair value as determined annually by an independent valuer. Gains or losses arising from changes in fair values of investment properties are included in the statement of financial performance.

Investment properties are derecognised when they have been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on derecognition of an investment property are recognised in the statement of financial performance in the year of derecognition.

Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For a revalued asset, the impairment loss is recognised in the revaluation reserve for that class of asset. For an asset carried at cost, the impairment loss is recognised in the statement of financial performance.

Trade and Other Payables

Trade and Other Payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

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

Borrowings are classified as current liabilities unless WDC has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Employee Benefits

Short-term benefits

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

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These include salaries and wages accrued up to balance date, annual leave earned, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months and sick leave.

WDC recognises a liability for sick leave based on entitlements accrued at balance date, which WDC expects employees to use in future periods. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that WDC anticipates it will be used by staff to cover for future absences.

Long – Term Employee Entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave; have been calculated on an actuarial basis. The calculations are based on:-

- Likely future entitlements accruing to staff, based upon years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlement information; and
- The present value of the estimated future cash flows
- The discount rate is based upon the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based upon the expected long-term increase in remuneration for employees.

Superannuation

Defined Contribution Pension Plan obligations are recognised as an expense in the statement of financial performance as incurred.

Provisions

WDC recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive)

as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Borrowing Costs

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

Equity

Equity is the community's interest in WDC and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of the reserves are:

- Retained earnings
- Restricted reserves
- Property plant and equipment reserves
- Fair value through equity reserves

Restricted & Council Created Reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by WDC.

Restricted reserves are those subject to specific conditions accepted as binding by WDC and which may not be revised by WDC without

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

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

WDC's objectives, policies, and processes for managing capital are described in note 36.

Goods and Services Tax (GST)

All amounts in the financial statements are exclusive of GST, with the exception of receivables and payables that are stated at GST-inclusive amounts. When GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue Department (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 operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Overhead Cost allocation

WDC has derived the cost of service for each significant activity using cost allocation systems outlined below.

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

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

Critical Accounting Estimates and Assumptions

In preparing these financial statements WDC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations on future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Landfill Aftercare

WDC has assumed that the aftercare provision for Wairoa Landfill is operative until 2031, based upon the resource consent issued by the Hawke's Bay Regional Council. WDC has a responsibility under the resource consent to provide for ongoing maintenance and monitoring of the landfill site.

The cash outflows for landfill post-closure are expected to occur within the next 25 years. 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 3%.

Infrastructure Assets

There are a number of assumptions and estimates used when performing DRC valuations over infrastructure assets. These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical

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inspections and condition modelling assessments of underground assets;

- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset then WDC could be over or under estimating the annual depreciation charge recognised as an expense in the statement of financial performance. To minimise this risk WDC's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of WDC's asset management planning activities, which give WDC further assurance over its useful life estimates.

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

Changes in Accounting Policies:

All accounting policies have been applied on a consistent basis throughout the year.