

# PURPOSE OF FINANCIAL STATEMENTS

## Prospective Income Statement

This statement discloses the net surplus or deficit and the components of the net surplus (deficit), arising from activities or events during the year that are significant for the assessment of both past and future financial performance.

## Prospective Statement of Changes in Equity

This financial statement contributes to the objectives of general purpose financial reporting by combining information, about net surplus (deficit) with other aspects of Council's financial performance in order to give a degree of measure of comprehensive income.

## Prospective Balance Sheet

Information about the economic resources controlled by Council and its capacity to modify those resources, is useful in assessing Council's ability to generate cash and/or provide services in the future. Information about the financing structure is useful in assessing future borrowing needs, and how future surpluses and cashflows may be distributed among those with an interest in the Council. The information is also useful in assessing how successful the Council is likely to be in raising further finance.

## Prospective Cashflow Statement

This statement reflects Council's cash receipts and cash payments during the year and provides useful information about Council's activities in generating cash through operations to:

- repay debt; or
- re-invest to maintain to expand operating capacity.

## Statement of Accounting Policies

The accounting policies adopted by Council can have a significant impact on the financial and service performance, financial position and cashflows that are reported in its financial reports. Therefore, for a proper appreciation of those reports, users need to be aware of:

- a) the measurement system underlying the preparation of the financial reports; and
- b) the accounting policies followed in respect of individual items in the financial reports, especially where there are acceptable alternatives for dealing with any such items; and
- c) any changes in the measurement system, assumptions or particular accounting policies.

## Notes to the Financial Statements

Provide further detail to the summary performance in compliance with accounting standards.

# ASSUMPTIONS, RISKS AND UNCERTAINTIES

## Overview

In preparing any forecasts, both financial and non-financial, there is a need to provide assumptions to address the uncertainties of the future. This is important for a number of reasons, including:

- allowing the reader of the forecasts to understand on what basis the financial information has been prepared.
- being an important means of explaining differences that will inevitably occur between the actual result and that which was forecast.
- ensuring risks faced by the organisation in the future have been appropriately identified and evaluated.

## Local Government Act Requirements

The Local Government Act 2002 (LGA) is very prescriptive in the content that must be included in the LTCCP. Schedule 10, Section 11 states the following:

### S.11 Significant forecasting assumptions

A long term council community plan must clearly identify—

- all the significant forecasting assumptions and risks underlying the financial estimates;
- without limiting the generality of paragraph (a) the following assumptions on which the financial estimates are based
  - the assumptions of the local authority concerning the useful life of significant assets; and
  - the assumptions of the local authority concerning sources of funds for the future replacement of significant assets;
- in any case where significant forecasting assumptions involve a high level of uncertainty,—
  - the fact of that uncertainty; and
  - an estimate of the potential effects of that uncertainty on the financial estimates

## Risks and Uncertainties

Risk is the chance that something will happen that will have an impact on Council's objectives. It is measured in terms of consequences and likelihood and is based on NZS 4360:1999.

## Significant Assumptions Level of Uncertainty

The following assumptions have been used in the preparation of the estimated financial statements in this Ten year Plan. There are no assumptions that have a high level of uncertainty.

No.	Assumption*	Consequence	x	Likelihood	= Level of Uncertainty
1	Useful lives of significant assets	3 Moderate	2	Unlikely	6 Low
2	Sources of funds for the future replacement of significant assets	3 Moderate	1	Rare	3 Low
3	Projected growth change factors				
	3.1 Population	3 Moderate	3	Moderate	9 Medium
	3.2 Dwellings	2 Minor	3	Moderate	6 Low
	3.3 Visitors	3 Moderate	4	Likely	12 Medium
	3.4 Rating Base	3 Moderate	3	Moderate	9 Medium
4	Cost factors	3 Moderate	4	Likely	12 Medium
5	Subsidy rate	4 Major	2	Unlikely	8 Low
6	Revaluation of non-current assets	3 Moderate	3	Moderate	9 Medium
7	Forecast return on investments	3 Moderate	4	Likely	12 Medium
8	Expected interest rates on borrowing	3 Moderate	2	Unlikely	6 Low
9	Depreciation rates on planned asset acquisitions	3 Moderate	2	Unlikely	6 Low
10	Resources consents / designations	4 Major	3	Moderate	12 Medium
11	Currency movement and related asst values	2 Minor	4	Likely	8 Low
12	Renewability or otherwise of external funding	4 Major	1	Rare	4 Low
13	Accurate use and interpretation of supporting policy	3 Moderate	2	Unlikely	6 Low
14	Democracy	3 Moderate	3	Moderate	9 Medium
15	Legislative demands on Council resources	3 Moderate	3	Moderate	9 Medium

No.	Assumption*	Consequence	x	Likelihood	= Level of Uncertainty
16	Levels of services	3 Moderate	2	Unlikely	6 Low
17	Demand for services	3 Moderate	4	Likely	12 Medium
18	Contractor service failures	3 Moderate	3	Moderate	9 Medium
19	Methods of services delivery	2 Minor	3	Moderate	6 Low
20	Information and Communication Technology (ICT) disasters	3 Moderate	3	Moderate	9 Medium
21	Public/private partnerships	3 Moderate	2	Unlikely	6 Low
22	Airport development				
	22.1 Demand for services	3 Moderate	3	Moderate	9 Medium
	22.2 Costs within budget	3 Moderate	3	Moderate	9 Medium
	22.3 Designation and District Plan Change	3 Moderate	2	Unlikely	6 Low
	22.4 External funding sources	3 Moderate	4	Likely	12 Medium

\* Refer to the following Forecasting Assumptions Commentary for a description of the assumption.

## Forecasting Assumptions Commentary

### Useful Lives of Significant Assets

#### Assumption

Council holds a number of assets that are significant to its operations and provision of services. These include water supplies, waste water, parks and reserves, storm water, airport, roads, buildings, plant and equipment. The assumption is that assets will function for the duration of their estimated useful lives. The useful lives of these assets are referred to in Council's Statement of Accounting Policies and are summarised below for the reader's convenience.

	Years
Water supplies	15 to 100
Waste water	15 to 100
Parks and reserves	15 to 100
Storm water	70 to 100
Airport	12 to 50
Roads	15 to 100
Buildings	50
Plant and equipment	3 to 50

#### Risk

*The risk is that the assets will not last as long as forecast and will need to be replaced earlier than forecast.*

### Sources of Funds for the Future Replacement of Significant Assets

#### Assumption

Significant assets are those assets that are considered strategic in Council's Policy on Significance and include:

- roading network
- wastewater network and treatment plant
- water supply network
- stormwater network

- public library, museum, pensioner housing, community halls, event facilities, international stadium, aquatic facilities, parks and reserves, nursery, cemeteries and crematorium
- shares in Rotorua Regional Airport Limited and Civic Assurance
- Rotorua Regional Airport infrastructure
- Waste Management infrastructure consisting of:
  - Rotorua Landfill
  - Rotorua Recycling Centre
  - Transfer Stations

The major sources of funding for the replacement of significant assets are from the following sources:

- General rates
- Targeted rates for water supplies, sewerage schemes, land fill etc
- Development and financial contributions
- Subsidies
- Grants
- Other operating revenue
- Previous years surpluses.

The exact mix of these funding sources is dependent on a number of factors. The two main factors include:

- whether the asset replacement creates additional capacity and where contributions from developers would be appropriate.
- the overall level of corporate debt and whether a contribution through rates and debt is appropriate.

To see the exact level of funding source refer to the activity budgets and the Funding Impact Statement in Part C Section 2 Funding and Financial Policies.

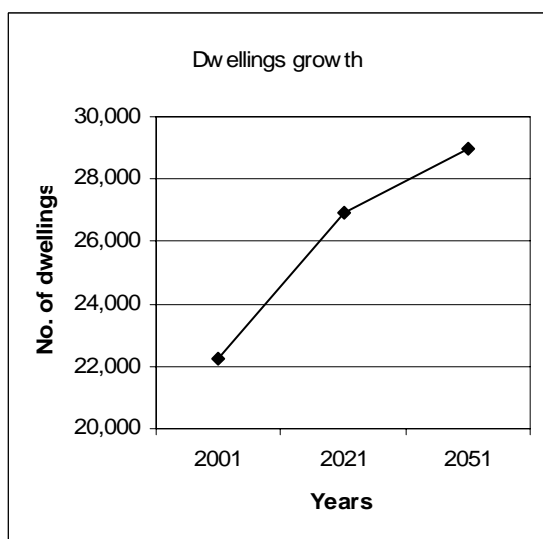
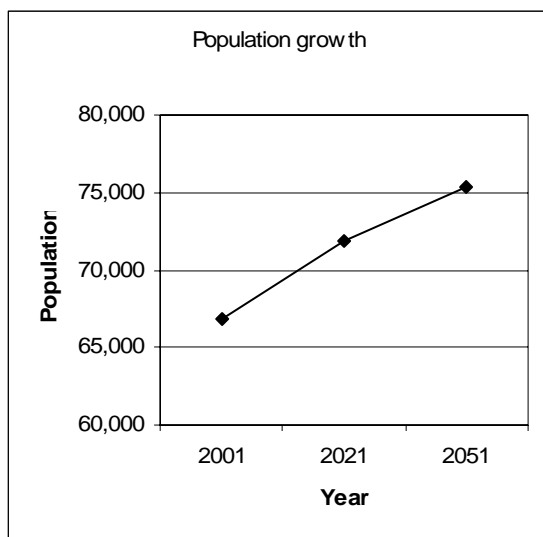
#### Risk

*The risk is that there will be insufficient funds available from the correct sources to fund the replacement of the significant asset.*

## Projected Growth Change Factors

### Assumption

A growth model has been developed by Council that will provide estimates of growth over the next 50 years from 2001 for the district's increase in population, number of visitors to the district, new residential dwellings and additional industrial land.



In order to prepare the 2005 Rotorua Growth Model the district was analysed into a number of planning units. Drivers for growth, both positive and negative were then developed. The resultant aggregate growth for the district was then tested for reasonableness against other known estimates such as Statistic New Zealand forecasts.

Readers are asked to refer to the 2005 Rotorua Growth Model for more details particularly the boundaries of the planning units and model methodology.

For each activity of council there has been an analysis of which growth factors impact on the ability to provide the intended level of service (e.g. population, tourist numbers, demand for industrial land). These growth factors have then

been applied to the activity in accordance with the growth model to ensure the intended level of service can be provided over the duration of this plan and beyond.

The assumption is that growth will occur at the same rate as projected in the 2005 Rotorua Growth Model.

The growth for the period up to 2016 is summarised in the table below.

### Percentage growth in population and numbers of new dwellings from 2001 to 2016

	Population	Dwellings
<b>Planning units</b>		
1 City	-3.3%	4.9%
2 Eastern suburbs	6.2%	19.0%
3 Rotokawa	228.5%	241.1%
4 Eastern lakes	27.8%	50.7%
5 Rural	-10.2%	2.7%
6 Northern	107.1%	139.0%
7 Southern Lakes	4.0%	10.7%
8 Established Lakeshore settlements	35.0%	33.3%
9 Highly Regarded Natural Environment	-10.4%	0.0%
10 Hamurana	66.2%	79.8%
11 Ngongataha	7.9%	12.5%
<b>Total for District</b>	<b>5.6%</b>	<b>15.4%</b>

Growth assumptions are applied to some revenue and expenditure areas. The activities where this growth assumption has been applied are scheduled below along with the particular growth driver.

Activity	Growth assumption used			
	Population	Visitor nights	Dwellings	Industrial/commercial land
Aquatic Centre			✓	
City services		✓		✓
Community assistance			✓	
Convention centre			✓	
International stadium			✓	
Library			✓	
Museum		✓		
Building control	✓		✓	✓
Planning policy			✓	
Planning implementation			✓	
Inspection	✓			
Marketing		✓		
Travel office		✓		
Airport (see note below)				
Development			✓	
Engineering			✓	
Refuse			✓	
Waste water			✓	
Water			✓	

Note: A major demand analysis and economic impact assessment was undertaken by APR Consultants and peer reviewed by Howarth Asia Pacific. This study was used for the Rotorua Regional Airport growth predictions

## Risk

*There are a number of risks associated with this assumption including:*

- i. That the population will be higher or lower than projected*
- ii. That the number of new dwellings will be higher or lower than projected*
- iii. That visitor numbers will be different from the assumptions*
- iv. That the increase in the rating base will be different from the assumptions*
- v. That there will be insufficient industrial and retail land zoned and available to meet the district's economic demand.*

## Cost Factors

### Assumption

In preparing the financial estimate for the 2006 -2016 Ten Year Plan there is a requirement to comply with Generally Accepted Accounting Practice (GAAP). New Zealand International Financial Reporting Standard (NZIFRS) requires prospective financial information to be prepared based on best estimates. Best estimates are what Council realistically expects to occur. To be supportable, best estimate assumptions need to be based on ... and the prevailing economic environment. This effectively means that financial statements need to include inflation over the ten years of the budget.

To ensure GAAP compliance, Business and Economic Research Ltd (BERL) were engaged by the Society of Local Government Managers to establish price adjusters. The following have been used in preparing the financial estimates.

### Adjusters: % per annum change

For the year ending:	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	%	%	%	%	%	%	%	%	%	%
<b>BERL adjusters</b>										
Road	0.0	2.6	2.4	2.2	2	1.9	1.7	1.5	1.3	1.3
Property	0.0	2.9	2.7	2.5	2.3	2.1	1.9	1.7	1.5	1.5
Water	0.0	4.2	4.0	3.7	3.4	3.1	2.8	2.6	2.3	2.3
Energy	0.0	4.1	3.8	3.6	3.3	3.0	2.8	2.5	2.2	2.2
Staff	0.0	2.5	2.4	2.2	2.0	1.8	1.7	1.5	1.3	1.3
Other	0.0	3.1	2.9	2.7	2.5	2.3	2.1	1.9	1.6	1.6
Pipelines	0.0	4.6	4.3	4	3.7	3.4	3.1	2.8	2.5	2.5
Earth moving	0.0	3.4	3.2	2.9	2.7	2.5	2.2	2.0	1.8	1.8
Pvt Sector labour	0.0	2.5	2.4	2.2	2.0	1.8	1.7	1.5	1.3	1.3
Govt bond yield	0.0		3.9					4.1		
Bond adjusted of CPI	0.0		6.3					6.5		
Bond nominal rate	0.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
<b>Other Adjusters</b>										
US paper index	0.0									
CPI	0.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

## Risk

*The risk is that the actual price of inputs and outputs in the financial statements will not increase at the rate assumed in this assumption and that the actual cost of services along with the value of assets and debt will be higher or lower than that included in the 2006-2016 Ten year Plan at any time during the next 10 years.*

## Subsidy Rate

### Assumption

Council receives subsidies from Land Transport New Zealand for the operations on local roads within the district. This subsidy is termed the Financial Assistance Rates (FARs) and is arrived at using a number of criteria such as district valuation, km of roads, and other ability to pay measures. Current Council FARs are:

	%
General maintenance	46
Emergency works	46
Capital expenditure	56
Strategic/investment	78

It is assumed that these FARs will continue for the period of the Ten Year Plan.

## Risk

*The risk is that the FAR will be reviewed downward either because of the current criteria or a national review of the FAR model.*

## Revaluation of Non-Current Assets

### Assumption

The measurement base for the perspective financial information is historic cost modified for the revaluation of certain assets. These values are revalued every three years in accordance with accounting policy. During the period of this Ten Year Plan the assets that are usually revalued – land, building and infrastructural assets – will be revalued three times using the roading, property, water, pipelines, and other local government BERL adjusters for the category of assets that are set out in the cost factors assumption. The revaluation dates are 1 July 2008, 1 July 2011 and 1 July 2014.

The assumption is that the estimated revaluation of those certain assets will not be materially different to the actual revaluations at the time of the revaluation.

## Risk

*The risk is that there will be a material difference between the three revaluations of assets as estimated in this Ten Year Plan with the actual revaluations on 1 July 2008, 2011 and 2014.*

## Forecast Return on Investments

### Assumption

This assumption relates to the short term cash investments held by Council. It does not refer to the shareholding in Rotorua Regional Airport Ltd which has its own separate assumptions.

It is assumed cash investment will net 6.75% return on investment.

### Risk

*The risk is that Council will obtain lower returns on its cash investments.*

## Expected Interest Rates on Borrowing

### Assumption

Council has a portfolio of debt that matures at various times over the next 7 years which have fixed interest rates. The weighted average cost is 6.8%. As these loans mature they will need to be refinanced. In addition Council has a large capital expenditure programme for the lake shore sewerage schemes, upgrade and extension of the Rotorua Regional Airport, and other renewal works that will be financed with new debt. It has been assumed that this debt can be raised with a weight average rate of 6.75%

### Risk

*The risk is that interest rates will be in excess of the 6.75% assumption.*

## Depreciation Rates on Planned Asset Acquisitions

### Assumption

Depreciation rates used for assets that are planned to be acquired or built over the next ten years have been calculated on the expected life of the respective asset. These are set out in the Statement of Accounting Policies relating to assets.

### Risk

The risks are that an asset's life may be longer or shorter than that assumed in the Ten Year Plan.

## Resource Consents / Designations

### Assumption

Council will need to apply for numerous resource consents for new activities over the next ten years. Major activities that will require consents (or District Plan change) are:

- Land fill extension
- Airport operations

- Water supply sources
- Transfer station sites.
- New cemetery site

It is assumed that all the necessary consents with reasonable conditions will be granted when required.

### Risk

*The risk is that consents:*

- will take longer to be granted and therefore not be available at the time within the Ten Year Plan that it is proposed to commence the development,*
- will include conditions that will be more onerous than anticipated and either the development becomes substantially more expensive, potentially to the extent that the development becomes uneconomic to proceed with,*
- will not be granted.*

## Currency Movement and Related Asset Values

### Assumption

It is assumed that currency movements of exchange rates, particularly US and Australian dollars, will not fluctuate significantly during the period on the Ten Year Plan. In December 2005 they were:

NZD is 0.68 cents USD

NZD is 0.94 cents AUD

This assumption applies to the purchase of refuse collection bags which are quoted for supply in USD. Much of the new library book purchases, some computer software, accommodation and expenses associated with overseas travel are in USD. Council has no exposure to currency movement risk in respect of significant assets or liabilities. All revenue from significant assets are received in NZDs.

### Risk

*The risk is that the currency movement will be volatile and in an unfavourable direction relative to the NZD.*

## Renewability or Otherwise of External Funding

### Assumption

It is assumed that Council's portfolio of debt, which has differing maturity dates from 1 to 7 years and new funding required, will be able to be raised on favourable terms.

### Risk

*The risk is that Council will not be able to raise new debt to repay maturing debt on favourable terms.*



## Accurate use and interpretation of supporting policy

### Assumption

In preparing the Ten year Plan a comprehensive review of the Policy Manual has been undertaken to update the manual to include new policy, remove all obsolete policies or those that related to operational matters and remove matters that restated statutes or other similar external documents. The result has been to recirculate the up-to-date policy manual. This has provided guidance to activity managers where required on the preparation of the activity plans and levels of service.

The assumption is that all Council's and other organisations' policies, plans and strategies that are relevant to the Ten year Plan have been applied accurately and consistently.

### Risk

*The risk is that that not all Council's and other organisations' policies, plans and strategies, that are relevant to the Ten Year Plan, will be applied accurately and consistently.*

## Democracy

### Assumption

It is assumed that the representation and governance structures currently in place will continue in their present form for the ten year period, that is, no change to the number or type of units of local government in the Bay of Plenty.

### Risk

*The risk is that the estimated cost of democracy will increase because any representation review will see an increase in the numbers of elected members*

## Legislative Demands on Council Resources

### Assumption

Over the past decade there has been an enormous increase in the level of delegation from central government to local government through legislative reforms. In almost all cases there has been no funding provided to develop the policy and/or deliver these new services. This has meant that the services have had to be funded from efficiency gains, local user charges, an increase in rates or combinations of these mechanisms. In some instances there has also been a need to be an increase in resources such as staff, consultants and/or contractors.

An example of a recent new cost has been that associated with preparing the Ten Year Plan for audit.

The assumption is that there will be no legislative reform or amendments that require Council to assume new responsibilities that need additional resources and hence cost.

### Risk

*The major risk is that there will be significant change to legislation that will cause a material change in services, their costs, and recovery by Council.*

## Levels of Service

### Assumption

The level of service delivered within each activity determines the overall cost of that service. It is assumed that the levels of service proposed in the Ten Year Plan will not vary significantly over the period of the Plan.

### Risk

*The risk is that there will be a demand for an increase in level of service for activities provided that will have a significant financial impact.*

## Demand for Services

### Assumption

The assumption is that Council has actually estimated the demand for each service within the activity plans.

### Risk

*The risk is that demand for services will be significantly different to that estimated over the period of the Ten Year Plan.*

## Contractor Service Failures

### Assumption

Almost without exception the majority of Council's capital works is undertaken by the private sector through contractual arrangements using a competitive tendering process. As part of that tendering process, tenderers are required to have previous experience, a track record, and appropriate resources. These matters are all taken into consideration when appointing contractors to undertake work for Council. The assumption is that contractors engaged to provide service will do that within the agreed standards, on time and within price.

### Risk

*The risk is that contractors will not deliver services and/or products to the agreed standard/ specification within time and the agreed price.*

## Methods of Services Delivery

### Assumption

This assumption has been included for completeness only and is not really a material matter in terms of the effect of its uncertainty on the financial estimates. The assumption is that the methods of service delivery will continue over the period of the Ten Year Plan. However, Council is

continuously reviewing methods of service delivery and where an alternative proves to be more cost effective, improves level of service, or reduces risk, that will be explored and implemented.

### Risk

*The risk is that new methods of service delivery could be implemented that increase costs, reduce services and add risk.*

## Information and Communication Technology (ICT) Disasters

### Assumption

Council runs a complex business and has wide statutory responsibilities to capture and retain data. In addition, Council needs to be able to provide a technology support service for some 50 different types of activities. Without the support of the information and management technology infrastructure many of Council's services would not be able to be provided. The assumption is, in the event of an ICT disaster, all services will continue to be provided and that alternative support is available.

### Risk

*The risk is that in the event of an ICT disaster, services provided by Council will not be able to be delivered.*

## Public/Private Partnerships

### Assumption

In recent times Council has built relationships with private organisations to help deliver services, fund infrastructure and promote policy. Council has a public/private partnership policy required under the Local Government Act that, amongst other things, considers the following:

- Governance
- Funding
- Management and operations
- Protection of the wider public interest
- Specific risk management mechanisms
- Termination/exit arrangements

Although not specifically covered by Council's partnership policy, there has been a significant engagement with philanthropic and private sector businesses to develop the 'Rotorua Partners' Programme'. This has led to the development of a significant new asset for the community in the Energy Events Centre.

The assumption is that the partnerships with the private sector endure over the term of the agreements.

### Risk

*The risk is that public/private partnerships over extended periods of time may not endure.*

## Airport Development

### Demand for services

#### Assumption

It is assumed that the demand for scheduled air services, and hence scheduled air service aircraft arrival numbers, will be in line with the demand growth projections. These demand growth projections were arrived at by appropriately qualified consultants with equally qualified peer reviewers. The most important new area of forecast increase in demand is for proposed new trans-Tasman routes between Rotorua and the east coast of Australia. The additional revenue that will be earned by Rotorua Regional Airport Ltd (RRAL) has a corresponding increase in Council's rental income received from RRAL. The income is then used to fund the interest as debt Council holds that is related to the airport.

It should be noted that, if for some reason trans-Tasman services do not commence or are ceased at some time in the future, Rotorua Regional Airport Ltd will continue to operate Rotorua's regional airport for domestic scheduled services.

### Costs within budget

#### Assumption

Council has assumed the proposed significant capital expenditure, estimated at some \$30 million over the next ten year period of this plan, will be within budget. Considerable planning has been put into arriving at the capital expenditure budget. Appropriate geotechnical studies, quality surveying and other specialist advice has been sought. This all leads Council to believe costs, after appropriate adjustment for inflation, will be within budget.

### Designation and District Plan Change

#### Assumption

Council and RRAL have made application to Rotorua District Council for a change to the District Plan and to designate obstacle limitation surfaces around the airport. These applications are to both protect the airport from other land owners in the vicinity and protect those land owners from the airport. Part of the District Plan change is necessary if the southern runway extensions are to proceed. The application will be considered by independent commissioners appointed by Council. These commissioners will be guided by the Resource Management Act etc.

It is assumed that the plan change will proceed and designations granted in substantially the same form as applied for.

### External funding sources

#### Assumption

Council is seeking funding for the Rotorua Regional Airport for other agencies so that the burden of debt does not fall on the ratepayers of Rotorua district. Environment BOP has been invited to become a strategic regional partner in the next phase of airport development.



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The assumption is that there will be sufficient interest by Environment BOP and the business/investment sectors to fund future airport development.

## Risk

*There are a number of risks associated with the airport development, including:*

- i) That the trans-Tasman demand will not reach projections and hence landing charge revenue fall short.*
- ii) That costs of development will exceed estimate.*
- iii) That the District Plan change will not allow the airport to develop in an optimised manner.*
- iv) That external funders will not be attracted to invest in the airport.*

*For further information on Assumptions, Risks and Uncertainties, and the Rotorua Growth Model, contact the Rotorua District Council or [www.rdc.govt.nz](http://www.rdc.govt.nz).*

# PROSPECTIVE INCOME STATEMENT

Description	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
(thousands)	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
General Rates	40,952	42,715	44,465	46,194	47,893	49,553	51,168	52,729	54,175	55,656
Less Rates Paid By Council	-777	-795	-814	-834	-852	-870	-888	-906	-925	-944
<b>Total Rates</b>	<b>40,175</b>	<b>41,920</b>	<b>43,651</b>	<b>45,360</b>	<b>47,041</b>	<b>48,684</b>	<b>50,281</b>	<b>51,823</b>	<b>53,250</b>	<b>54,712</b>
Castlecorp Bus Unit	148	150	153	157	160	163	166	169	173	176
Corporate Wide	1,692	1,740	1,790	1,840	1,892	1,945	2,000	2,056	2,114	2,173
Economic	2,191	2,262	2,282	2,337	2,393	2,450	2,509	2,569	2,631	2,695
Environment	4,102	4,138	4,232	4,330	4,430	4,532	4,636	4,743	4,852	4,964
Infrastructure	36,074	48,800	44,967	42,818	45,332	42,337	50,803	47,403	50,137	54,639
Community Leadership	916	976	897	871	921	792	750	790	632	562
Social and Cultural	8,270	12,090	12,639	12,442	16,157	16,938	11,878	12,275	12,585	12,835
Less Water by Meter used internally	-153	-160	-168	-175	-184	-191	-197	-204	-209	-214
<b>Total Other Revenue</b>	<b>53,239</b>	<b>69,997</b>	<b>66,791</b>	<b>64,621</b>	<b>71,100</b>	<b>68,967</b>	<b>72,546</b>	<b>69,802</b>	<b>72,915</b>	<b>77,832</b>
<b>Total Revenue</b>	<b>93,414</b>	<b>111,917</b>	<b>110,442</b>	<b>109,980</b>	<b>118,141</b>	<b>117,651</b>	<b>122,827</b>	<b>121,625</b>	<b>126,165</b>	<b>132,544</b>
<b>OPERATING EXPENDITURE</b>										
Castlecorp Bus Unit	147	86	84	43	-39	-47	-117	-94	-5	11
Corporate Wide	800	825	849	872	893	914	933	951	966	982
Economic	5,200	5,389	5,482	5,652	5,746	5,760	5,893	6,006	6,117	6,215
Environment	9,073	8,907	9,176	9,321	9,187	9,347	9,523	9,606	9,753	9,861
Infrastructure	40,267	42,585	46,101	48,964	50,954	52,597	53,181	54,430	55,877	55,897
Community Leadership	3,901	3,924	4,008	3,989	4,029	3,941	3,944	4,043	3,974	3,994
Social and Cultural	29,431	31,825	32,920	33,739	33,969	35,295	36,018	36,512	36,850	37,139
	<b>88,819</b>	<b>93,541</b>	<b>98,619</b>	<b>102,579</b>	<b>104,741</b>	<b>107,807</b>	<b>109,376</b>	<b>111,454</b>	<b>113,533</b>	<b>114,098</b>
Less Internal Charges Included										
<b>In Operating Expenses</b>	<b>930</b>	<b>955</b>	<b>983</b>	<b>1,009</b>	<b>1,036</b>	<b>1,061</b>	<b>1,084</b>	<b>1,110</b>	<b>1,134</b>	<b>1,158</b>
<b>Total Operating Expenditure</b>	<b>87,889</b>	<b>92,586</b>	<b>97,637</b>	<b>101,570</b>	<b>103,705</b>	<b>106,746</b>	<b>108,292</b>	<b>110,343</b>	<b>112,399</b>	<b>112,940</b>
<b>Operating Surplus</b>	<b>5,524</b>	<b>19,331</b>	<b>12,805</b>	<b>8,411</b>	<b>14,437</b>	<b>10,905</b>	<b>14,535</b>	<b>11,282</b>	<b>13,766</b>	<b>19,604</b>
Income Taxation										
<b>SURPLUS FOR THE YEAR</b>	<b>5,524</b>	<b>19,331</b>	<b>12,805</b>	<b>8,411</b>	<b>14,437</b>	<b>10,905</b>	<b>14,535</b>	<b>11,282</b>	<b>13,766</b>	<b>19,604</b>
Footnote:- Included in the above Operating Expenditure										
Finance Costs	5,583	7,533	8,767	9,926	10,672	10,934	11,034	11,126	10,246	9,704
Depreciation/Amortisation	21,795	22,598	24,871	25,658	25,432	27,045	26,939	27,269	28,953	28,384

# PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

Description (thousands)	2007 Budget	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget
-										
Opening Equity	730,782	736,306	755,661	797,196	805,629	820,087	942,359	956,912	968,211	1,070,499
Net Surplus for the Period	5,524	19,331	12,805	8,411	14,437	10,905	14,535	11,282	13,766	19,604
Revaluation Changes	0	24	28,730	22	21	111,367	18	17	88,522	27
<b>CLOSING EQUITY</b>	<b>736,306</b>	<b>755,661</b>	<b>797,196</b>	<b>805,629</b>	<b>820,087</b>	<b>942,359</b>	<b>956,912</b>	<b>968,211</b>	<b>1,070,499</b>	<b>1,090,130</b>

# PROSPECTIVE BALANCE SHEET

Description (thousands)	2007 Budget	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget
<b>CURRENT ASSETS</b>										
Financial Assets:-										
Cash and Cash Equivalents	1,964	1,922	1,947	1,771	1,598	1,433	1,269	1,108	952	1,065
Loans & Other Receivables	11,085	11,085	11,085	11,085	11,085	11,085	11,085	11,085	11,085	11,085
Inventories	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125
Assets Held for Sale	0	0	0	0	0	0	0	0	0	0
Capital Projects under Construction	8,591	8,591	8,591	8,591	8,591	8,591	8,591	8,591	8,591	8,591
<b>TOTAL CURRENT ASSETS</b>	<b>22,765</b>	<b>22,723</b>	<b>22,748</b>	<b>22,572</b>	<b>22,399</b>	<b>22,234</b>	<b>22,070</b>	<b>21,909</b>	<b>21,753</b>	<b>21,866</b>
<b>Less CURRENT LIABILITIES</b>										
Financial Liabilities:-										
Trade and Other Payables	8,680	8,680	8,680	8,680	8,680	8,680	8,680	8,680	8,680	8,680
Other Financial Liabilities	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637
Current Portion of Landfill Aftercare costs	60	60	60	60	60	60	60	60	60	60
Current Portion of Employee Entitlements	2,430	2,430	2,430	2,430	2,430	2,430	2,430	2,430	2,430	2,430
Current Portion of Public Debt	9,007	22,507	4,008	5,007	62,901	24,973	32,692	27,338	27,019	32,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>22,814</b>	<b>36,314</b>	<b>17,815</b>	<b>18,814</b>	<b>76,708</b>	<b>38,780</b>	<b>46,499</b>	<b>41,145</b>	<b>40,826</b>	<b>45,807</b>
<b>WORKING CAPITAL</b>	<b>-49</b>	<b>-13,591</b>	<b>4,933</b>	<b>3,758</b>	<b>-54,309</b>	<b>-16,546</b>	<b>-24,429</b>	<b>-19,236</b>	<b>-19,073</b>	<b>-23,941</b>
<b>NON-CURRENT ASSETS</b>										
Held to Maturity Financial Assets	1,932	1,917	1,896	1,974	2,051	2,124	2,197	2,269	2,337	2,350
Property, Plant & Equipment	828,392	865,673	928,123	950,106	973,454	1,094,692	1,113,371	1,123,555	1,209,693	1,220,627
Intangible Assets	2,693	2,257	1,490	1,336	1,117	1,125	1,127	995	961	974
Biological Assets	856	880	904	926	947	967	985	1,002	1,017	1,044
Assets held for sale	85	85	85	85	85	85	85	85	85	85
<b>TOTAL NON-CURRENT ASSETS</b>	<b>833,958</b>	<b>870,812</b>	<b>932,498</b>	<b>954,427</b>	<b>977,654</b>	<b>1,098,993</b>	<b>1,117,765</b>	<b>1,127,906</b>	<b>1,214,093</b>	<b>1,225,080</b>
<b>LESS NON-CURRENT LIABILITIES</b>										
Financial Liabilities	96,093	100,050	138,725	151,046	101,748	138,578	134,914	138,949	123,011	109,499
Less Employee Entitlements	970	970	970	970	970	970	970	970	970	970
Landfill Aftercare Provision	540	540	540	540	540	540	540	540	540	540
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>97,603</b>	<b>101,560</b>	<b>140,235</b>	<b>152,556</b>	<b>103,258</b>	<b>140,088</b>	<b>136,424</b>	<b>140,459</b>	<b>124,521</b>	<b>111,009</b>
<b>TOTAL NET ASSETS</b>	<b>736,306</b>	<b>755,661</b>	<b>797,196</b>	<b>805,629</b>	<b>820,087</b>	<b>942,359</b>	<b>956,912</b>	<b>968,211</b>	<b>1,070,499</b>	<b>1,090,130</b>
<b>Represented By:</b>										
<b>RATEPAYERS EQUITY</b>										
General Reserve	420,327	447,840	477,360	498,307	515,417	524,211	543,300	554,767	560,476	570,425
Self-funding Reserves	-41,646	-50,136	-67,502	-80,746	-84,188	-82,913	-88,371	-89,537	-82,539	-74,028
Council Created Reserves	48	49	50	51	52	54	55	58	58	59
Restricted Reserves	76	383	1,033	1,740	2,508	3,342	4,245	5,223	6,282	7,425
Asset Revaluation Reserve	357,501	357,525	386,255	386,277	386,298	497,665	497,683	497,700	586,222	586,249
<b>TOTAL RATEPAYERS EQUITY</b>	<b>736,306</b>	<b>755,661</b>	<b>797,196</b>	<b>805,629</b>	<b>820,087</b>	<b>942,359</b>	<b>956,912</b>	<b>968,211</b>	<b>1,070,499</b>	<b>1,090,130</b>

# PROSPECTIVE CASHFLOW STATEMENT

Description (thousands)	2007 Budget	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget
<b>Cash flows from Operating Activities:</b>										
Cash was provided from:										
Rates	56,071	60,283	64,076	66,947	69,987	72,738	75,047	77,966	80,395	82,506
General Revenue	34,819	49,037	43,695	40,289	45,337	42,022	44,815	40,620	42,658	46,851
Interest on Investments	32	32	32	32	32	32	32	32	32	32
Dividends	0	0	0	0	0	0	0	0	0	0
	90,922	109,352	107,803	107,268	115,356	114,792	119,894	118,618	123,085	129,389
Cash was applied to:										
Payments to Employees & Councillors	27,735	28,477	29,277	29,935	30,466	31,020	31,552	32,031	32,453	32,880
Other Payments	42,959	32,996	33,737	35,020	36,084	36,675	37,676	38,809	39,628	40,898
Taxation Payments	0	0	0	0	0	0	0	0	0	0
Interest on Public Debt	5,583	7,533	8,767	9,926	10,672	10,934	11,034	11,126	10,246	9,704
Net Goods and Services Tax Paid	0	0	0	0	0	0	0	0	0	0
	76,277	69,006	71,781	74,881	77,222	78,629	80,262	81,966	82,327	83,482
						0				
<b>Net Cash Flows From Operating Activities</b>	<b>14,645</b>	<b>40,346</b>	<b>36,022</b>	<b>32,387</b>	<b>38,134</b>	<b>36,163</b>	<b>39,632</b>	<b>36,652</b>	<b>40,758</b>	<b>45,907</b>
<b>Cash flows from Investing Activities:</b>										
Cash was provided from:										
Proceeds from Sale of Fixed Assets	363	1,255	3,870	2,922	207	1,129	255	171	9,667	301
Collections on Advances	686	15	21	(78)	(77)	(73)	(73)	(72)	(68)	(13)
	1,049	1,270	3,891	2,844	130	1,056	182	99	9,599	288
Cash was applied to:										
Purchase of Fixed Assets	58,274	58,958	59,928	48,569	46,877	36,126	43,875	35,436	34,103	37,459
Net Movement in Investments	1,108	145	130	153	151	160	158	157	153	92
Loan Advances made	21	12	6	5	5	0	0	0	0	0
	59,403	59,115	60,064	48,727	47,033	36,286	44,033	35,593	34,256	37,551
<b>Net Cash Used In Investing Activities</b>	<b>(58,354)</b>	<b>(57,845)</b>	<b>(56,173)</b>	<b>(45,883)</b>	<b>(46,903)</b>	<b>(35,230)</b>	<b>(43,851)</b>	<b>(35,494)</b>	<b>(24,657)</b>	<b>(37,263)</b>
<b>Cash flows from Financing Activities:</b>										
Cash was provided from:										
Loans Raised	53,242	26,464	42,683	17,328	13,603	61,803	29,028	31,373	11,081	18,488
Cash was applied to:										
Repayment of Public Debt	10,409	9,007	22,507	4,008	5,007	62,901	24,973	32,692	27,338	27,019
<b>Net Cash Used In Financing Activities</b>	<b>42,833</b>	<b>17,457</b>	<b>20,176</b>	<b>13,320</b>	<b>8,596</b>	<b>(1,098)</b>	<b>4,055</b>	<b>(1,319)</b>	<b>(16,257)</b>	<b>(8,531)</b>
Net Increase (Decrease) in Cash	(876)	(42)	25	(176)	(173)	(165)	(164)	(161)	(156)	113
Opening Cash Brought Forward	2,840	1,964	1,922	1,947	1,771	1,598	1,433	1,269	1,108	952
<b>CLOSING CASH CARRIED FORWARD</b>	<b>1,964</b>	<b>1,922</b>	<b>1,947</b>	<b>1,771</b>	<b>1,598</b>	<b>1,433</b>	<b>1,269</b>	<b>1,108</b>	<b>952</b>	<b>1,065</b>

# STATEMENT OF ACCOUNTING POLICIES

## Reporting Entity

The financial statements are prepared in accordance with the Local Government Act 2002. For the purposes of financial reporting the Rotorua District Council is a public benefit entity. The Council's financial statements are for Rotorua District Council as a separate legal entity (the Parent). Consolidated financial statements, where shown, are of the "Group" comprising Rotorua District Council, and its subsidiary Rotorua Regional Airport.

Rotorua District Council has chosen to take advantage of public benefit exemptions available within the following standards:

- NZIFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards
- NZIAS 16 Property, Plant & Equipment
- NZIAS 20 Accounting for Government Grants & Disclosure of Government Assistance
- NZIAS 40 Investment Property

## Reporting Period

The reporting period for these financial statements is the ten year ending 30 June 2016. The Annual Plan budget figures included in these financial statements are for the Council as a separate entity and do not include budget information relating to the subsidiary. These figures are those approved by the Council at the beginning of the year following a period of consultation with the public as part of the Annual Plan process. These figures do not include any additional expenditure subsequently approved by the Council outside the Annual Plan process. The Annual Plan figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements.

## Statement of Compliance

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities. These are the Rotorua District Council's first financial statements complying with NZ IFRS. *NZ IFRS 1: First-time Adoption of NZ Equivalents to International Financial Reporting Standards* has been applied.

Until 30 June 2006 the financial statements of Rotorua District Council had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain respects from NZ IFRS. When preparing the 30 June 2007 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the NZ FRS financial statements to comply with NZ IFRS. The comparative figures in respect of 2006 have been restated to reflect these adjustments.

An explanation of how the transition to NZ IFRS has affected the reported financial position of the Rotorua District Council is provided in Note 1 of the Notes to Financial Statements.

## Accounting Policies

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

The measurement basis applied is historical cost, modified by the revaluation of certain assets and liabilities as identified in this statement of accounting policies.

The accrual basis of accounting has been used unless otherwise stated. These financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless otherwise stated.

Where individual financial statements of subsidiaries, associates and joint ventures of the Rotorua District Council are prepared using accounting policies different from those of the group, appropriate adjustments are made on consolidation, in order to ensure that uniform accounting policies have been applied.

## Judgements and Estimations

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Where material, information on the major assumptions is provided in the relevant accounting policy or will be provided in the relevant note to the financial statements.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.



The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## Basis of Consolidation

### Subsidiaries

For this Ten Year Plan the financial accounts are for the parent only. The Council has not presented group prospective financial statements because the Council believes that the parent prospective financial statements are more relevant to users. The main purpose of prospective financial statements in the Ten Year Plan is to provide users with information about the core services that the Council intends to provide ratepayers, the expected cost of those services and as a consequence how much the Council requires by way of rates to fund the intended levels of service. The level of rates funding required is not affected by subsidiaries except to the extent that the Council obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements of the Council.

### Associates

Associates are entities in which the Council has significant influence, but not control, over their operating and financial policies. The Council's share of the assets, liabilities, income and expenditure of associates is included in the financial statements of the Group on an equity accounting basis. Dividends from associates are recognised in the parent's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. The parent financial statements show investments in associates at cost.

## Income

### Grants

Grants income includes any transfers of resources to the Council in return for past or future compliance with certain conditions relating to the operating activities of the Council. An unconditional grant is recognised in the income statement as other operating income when the grant becomes receivable. A conditional grant is recognised in the income statement as other operating income to the extent that conditions have been complied with. For the purposes at this Policy, a grant is defined as 'conditional' where Council has legal, constructive, or moral obligation to refund the grant (or part thereof), should conditions not be met.

## Donated, subsidised or vested assets

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue.

### Interest

Interest income is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

### Dividends

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### Rental income

Rental income is recognised on a straight line basis over the term of the lease. Lease incentives granted are recognised evenly over the term of the lease as a reduction in total rental income.

### Sales of goods

Sales of goods are recognised when a Group entity has transferred the risks and rewards of ownership of the goods to the purchaser. Sales of goods are recognised net of GST, rebates and discounts.

### Other income

All other income is recognised when billed or earned on an accrual basis.

## Expenses

### Grants and subsidies

Expenditure is classified as a grant if it results in a transfer of resources to another entity in return for past or future compliance with certain conditions relating to the operating activities of that entity. Grants expenditure includes any expenditure arising from a funding arrangement with another entity that has been entered into to achieve the objectives of the Council. Grants are distinct from donations which are discretionary charitable gifts.

Where grants and subsidies are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled and notice has been given.

## Interest

Interest expense is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

## Donated Services

The Council benefits from the voluntary service of many community minded organisations and individuals in the delivery of its activities and services. Due to the difficulty in determining the value of these donated services with sufficient reliability, donated services are not recognised in these financial statements.

## Overhead/Support Services Allocation

The major types of expenditure classed as support services are building costs, payroll/personnel, information technology and information management, administration costs, treasury, accounting costs, records, asset management overheads, fleet, land information services, waterworks overheads, business units, laboratory and graphic solutions. The net costs of support services are charged to significant activities on the appropriation basis of floor space, staff time, direct use when available, share of estimated rates, volume of transactions used, volume of records used, level of activity areas supported, and percentage of service utilised.

## Interest Allocation

Council allocates the net cost of interest, being interest expense less interest income, to its various activities:

- a) Interest is credited to or allocated to self-funding activities based on the average annual balance of the self funding account according to whether the balances are in funds or overdrawn respectively.
- b) The balance of interest is allocated to other significant activities on the basis of the book value of fixed assets employed in the activity.

## Leases

Leases in which substantially all of the risks and rewards of ownership transfer to the lessee are classified as finance leases. At inception, finance leases are recognized as assets and liabilities on the balance sheet at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognized as an asset. Subsequently, assets leased under a finance lease are depreciated as if the assets are owned.

## Operating Lease Payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the

income statement as an integral part of the total lease expense.

## Finance Lease Payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability, the finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## Taxation

Council's income tax expense comprises the total amount included in the determination of profit or loss for the period in respect of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year (using tax rates enacted or substantially enacted at balance sheet date) together with any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method and applied on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities.

The enactment of tax rates and legislation at balance sheet date determine the application of deferred tax and applies when the related deferred tax asset is realised or when deferred tax liability is settled.

Deferred tax is not accounted for if an asset or liability of a non-business transaction does not affect either accounting profit or taxable profit. Similarly, deferred tax is not accounted for on temporary differences associated with investments in subsidiaries, branches, associates and joint ventures where the reversal of the temporary difference is controlled by Council, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable future taxable profit will be available against which deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive. Where GST is not recoverable as an input tax (e.g. residential housing) then it is recognised as part of the related asset or expense.

## Financial Instruments

The Group classifies its financial assets and financial liabilities according to the purpose for which they were acquired. The Group determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

### Financial Assets

The Group classifies its investments into the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

#### Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are further separated into two sub-categories: financial assets held for trading, and 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. Derivative financial instruments are also categorised as held for trading unless they are designated as hedges. Financial assets are classified as current assets if they are either held for trading or are expected to be realised within 12 months of balance sheet date. Financial assets held for trading and financial assets designated at fair value through profit or loss are recorded at fair value with any realised and unrealised gains or losses recognised in the Income Statement. Gains or losses reported in the Income Statement include any interest component. Transaction costs are expensed as they are incurred.

#### Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available for sale financial assets are initially recorded at fair value plus transaction costs. They are subsequently recorded at fair value with any resultant fair value gains or losses recognised directly in equity except for impairment losses. Any interest is calculated using the effective interest method. At derecognition the cumulative fair value gain or loss previously recognised directly in equity is recognised in the Income Statement.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after balance date in which case they are classified as non-current assets.

Loans and receivables are included in trade and other receivables in the balance sheet. Loans and receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Loans and receivables issued with duration less than 12 months are recognised at their nominal value. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired.

#### Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision 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 provision is recognised in the income statement.

#### Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. They are included in non-current assets, except for those with maturities less than 12 months from balance sheet date, which are classified as current assets. Held-to-maturity investments are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents comprise cash balances and call deposits with up to three months maturity. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### Biological Assets

Biological Assets comprise standing trees, being predominantly radiata pine wood lots located on various reserve land owned by Council. Valuations are performed at fair value annually. Methodologies involve market valuation based on discounted cashflow of projected earnings, less costs and compounded cost calculations. Any agricultural produce harvested from Council's biological assets are measured at fair value, less estimated point-of-sale costs, at point of harvest. The latest valuation of the Forestry assets was performed as at July 2005. No biological assets have matured to date, and no harvesting has been performed.

#### Timing of Recognition

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the

rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### Fair values

If the market for financial assets is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same and discounted cash flow analysis.

### Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit and loss for that asset - is removed from equity and recognised in the income statement.

### Financial Liabilities

The Group classifies its financial liabilities into the following categories: financial liabilities at fair value through profit and loss or other financial liabilities. Financial liabilities at fair value through profit and loss are further separated into two sub-categories: liabilities held for trading and those designated as fair value through profit and loss. Financial liabilities held for trading and financial liabilities designated at fair value through profit and loss are recorded at fair value with any realised and unrealised gains or losses recognised in the Income Statement. Gains or losses reported in the Income Statement include any interest component. Transaction costs are expensed as they are incurred.

Other financial liabilities are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities entered into with duration less than 12 months are recognised at their nominal value. Amortisation is recognised in the Income Statement as is any gain or loss when the liability is derecognised.

### Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### Derivatives

Derivative financial instruments are recognised as either assets or liabilities at fair value on the date the derivative is entered into and are subsequently re-measured to their fair value. Derivatives that do not qualify for hedge accounting are classified as held for trading financial instruments with fair value gains or losses recognised in the Income Statement.

### Inventory

Inventories are recorded at the lower of cost (determined 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 applicable variable selling expenses.

### Non-current assets held for sale

Non-current assets are separately classified as held for sale where their carrying amount will be recovered through a sale transaction rather than through continuing use. A non-current asset is classified as held for sale where:

- The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets,
- The Group is committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan has been initiated,
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value,
- The sale is expected to qualify for recognition as a sale within one year from the date of classification or beyond one year where a delay has occurred which is caused by events beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset, and
- Actions required to complete the plan to sell the asset indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A non-current asset classified as held for sale is recognised at the lower of its carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell.

A gain is recognised for any subsequent increases in fair value less costs to sell of the asset but not in excess of any cumulative impairment losses previously recognised. Impairment losses or reversal of impairment losses are included in profit or loss. Any gain or loss not previously recognised by the date of the sale of the asset is recognised at the date of derecognition.

## Property, Plant and Equipment

### Recognition

Property, plant and equipment consists of operational assets, restricted assets and infrastructure assets. Expenditure is capitalised as property, plant and equipment when it creates a new asset or increases the economic benefits over the total life of an existing asset and can be measured reliably. Costs that do not meet the criteria for capitalisation are expensed.

Operational assets include (but is not limited to) land, buildings, Convention Centre, Tourism Office, Library building, International Stadium, Museum, and plant and equipment.

Restricted assets include heritage buildings, and parks and reserves land. These assets provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets include the fixed utility systems comprising the roading, water reticulation and drainage systems, land under roads and infrastructure land and airport. Each asset type includes all items that are required for the network to function.

### Measurement

Vested assets are recognised within their respective asset classes at fair value. Vested assets are those assets where ownership and control is transferred to the Council from a third party (for example; infrastructure assets constructed by developers and transferred to the Council on completion of a sub-division). Fair value is determined on a basis consistent with the valuation of existing assets within the class.

### Revaluations

The result of any revaluation of the Council's property, plant and equipment is credited or debited to the asset revaluation reserve for that class of property, plant and equipment. Where this results in a debit balance in the reserve for a class of property, plant and equipment, the balance is expensed in the Income Statement. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Income Statement, will be recognised firstly in the Income Statement up to the amount previously expensed, and then secondly credited to the revaluation reserve for that class of property, plant and equipment.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount and the net amount is restated to the revalued amount.

### Impairment

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at

its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported in the Income Statement, unless the asset is carried at a revalued amount in which case any impairment loss is treated first as a revaluation decrease and then as a charge to the Income Statement to the extent that the impairment exceeds the amount in the revaluation reserve in respect of that asset.

### Disposal

Gains and losses arising from the disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

### Valuation

Land and Buildings are recorded at fair value at highest and best use as at 1 July 2005. Quotable Value New Zealand Ltd has certified that these valuations are appropriate for financial reporting purposes.

Asset additions since 1 July 2005 are valued at historic cost. The fair value of Land and Buildings is reviewed at three yearly intervals.

Infrastructural Assets (roading network, bridges, drains, water and sewerage reticulation systems) have been valued by Council's engineers at replacement cost. An estimate for accumulated depreciation has then been deducted to give a depreciated replacement value as at 1 July 2005. Road reserves have been valued on an average of the district's land value adjusted for restrictions on the land and its existing use. The basis of these in-house valuations have been certified as correct by an independent registered valuer. All capital expenditure on these assets since 1 July 2005 has been capitalised at historic cost. The value of all of Council's infrastructural assets will be revised at three yearly intervals.

The library collection was valued at estimated depreciated replacement cost as at 1 July 2005 as estimated by Council's library staff. The basis of these in-house valuations have been certified as correct by an independent registered valuer. All library purchases since 1 July 2005 have been capitalised at historical cost. The value of the library collection is revised at three yearly intervals.

The collections of the Rotorua Museum of Art & History are valued at current market value as at 30 June 1992 by Gow, Landsford Fine Art Valuers and Peter Webb Galleries Limited, Estate & Fine Art Auctioneers & Valuers. Any additions since then have been capitalised at historic cost. Vested infrastructural assets have been valued based on the actual quantities of infrastructural components vested at the current "in the ground" cost of providing identical services. All other revenue is recognised when it is due and receivable.



Council purchased the Airport assets of Rotorua Regional Airport Limited on 30 June 2005. The Airport land, buildings and runway were re-valued as at 28 September 2004 by registered valuers Cleghorn Gillespie Jensen Limited at fair value in accordance with FRS 36. Asset purchased by RRAL subsequent to re-valuation date were purchased by Council at cost

All other fixed assets are valued at cost except where historic cost records were not available, in which case Council has estimated the cost.

## Depreciation

Depreciation is provided on all fixed assets with certain exceptions. The exceptions are:

- Land is not depreciated.
- Roading, wastewater reticulation, stormwater systems and water reticulation assets are depreciated as noted below. A number of the components of the roading network such as excavation, sub base materials and compaction are not depreciated as these assets have an infinite life. Signs and markings are not depreciated as these assets are maintained to the same level.
- The useful lives of the Rotorua Museum of Art & History collections and the library reference collection are considered to be extremely long. Therefore, due to its insignificance, no depreciation has been brought to charge.

All other assets are depreciated on a straight line basis at rates that will write off their cost or valuation over their expected useful economic lives.

Vehicles are depreciated on the basis of diminishing value and at a rate of 20% calculated to allocate the motor vehicles cost over their estimated useful lives.

The expected lives of major classes of assets are:

General	Years
Bathroom building	40
Buildings (other)	50
Plant and Equipment	10 to 15
Office Equipment	5
Furniture and Fittings	10 to 20
Computer Systems	3 to 5
Library Books (excl Reference)	2 to 15
Parking	10 to 50
Landfill Improvements	3 to 100
<b>Wastewater Reticulation</b>	
Man holes	110
Treatment Plant	10 to 100
Pump Stations	10 to 75
Pipes	100
<b>Water Reticulation</b>	<b>Years</b>
Pipes	50 to 90
Motors/Pumps	20 to 30
Reservoirs and other	
Water-Retaining Structures	50 to 100
Meters	15 to 100

## Parks

Street and Outdoor Furniture	15
Street Signals	15
Fencing and Related Structures	15
Playgrounds	25
Jetties and Related Structures	20
Irrigation Pipes and Sprinklers	6 to 50
Park roads, paths	20 to 100
Kerbs	100
Bridges	70 to 100
Top surface (seal)	1 to 15
Pavement (basecourse)	20 to 100
Drainage	100
Shoulders/Feathers	20 to 100
Culverts	100
Footpaths (concrete)	100
Footpaths (bitumen)	10 to 15

## Stormwater systems

Pipes	70 to 100
Manholes, Cesspits	70 to 100
Service connections and outlets	70 to 100

## Airport

Runway 150mm AC surface	10 to 15
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## Work in progress

The cost of projects within work in progress is transferred to the relevant asset class when the project is completed and then depreciated.

## Intangible Assets

Acquired intangible assets are initially recorded at cost. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. The development phase occurs after the following can be demonstrated: technical feasibility; ability to complete the asset; intention and ability to sell or use; and development expenditure can be reliably measured. Development costs with a finite useful life that have been capitalised are amortised from the commencement of use or sale of the products developed on a straight line basis over the period of its expected benefit.

Expenditure incurred on research of an internally generated intangible asset is expensed when it is incurred. Where the research phase cannot be distinguished from the development phase, the expenditure is expensed when it is incurred. Development costs previously recognised as an expense are not subsequently recognised as an asset in a subsequent period.

Intangible assets with finite lives are subsequently recorded at cost less any amortisation and impairment losses. Amortisation is charged to the Income Statement on a straight-line basis over the useful life of the asset. Typically, the estimated useful lives of these assets are as follows:

Computer Software 3 to 8 years



Realised gains and losses arising from disposal of intangible assets are recognised in the Income Statement in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Income Statement.

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance date.

## Employee Benefits

A provision for employee benefits (holiday leave, long service leave, and retirement allowances) is recognised as a liability when benefits are earned.

### Wages and salaries

Liabilities for wages and salaries, including non-monetary benefits, expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

### Holiday Leave

Holiday leave (annual leave and time off in lieu) is calculated on an actual entitlement basis at the greater of the average or current hourly earnings in accordance with sections 16(2) & 16(4) of the Holidays Act 2003. Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the balance sheet date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

### Sick Leave

Liabilities for accumulating short-term compensated absences (e.g., annual and sick leave) are measured as the amount of unused entitlement accumulated at the balance sheet date that the entity anticipates employees will use in future periods in excess of the days that they will be entitled to in each of those periods.

### Long Service Leave

Long-service leave (not yet qualified for) and retirement gratuities have been calculated on an actuarial basis based on the likely future entitlements accruing to staff, after taking into account years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and other contractual entitlements information. The present value of the estimated future cash flows has been calculated using an inflation factor of 3.2% and a discount rate of 6.75%. The

discount rate used represents the Council's average cost of borrowing.

## Other Contractual Entitlements

Other contractual entitlements include termination benefits. Termination benefits are recognised in the Income Statement only when there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid, otherwise they are reported as the present value of the estimated future cash outflows.

## Landfill post closure costs

The council, as operator of the Rotorua Landfill, has a legal obligation to apply for resource consents when the landfill, or landfill stages, reaches the end of their operating life and are to be closed. These resource consents will set out the closure requirements and the requirements for ongoing maintenance and monitoring services at the landfill site after closure. A provision for post-closure costs is recognised as a liability when the obligation for post closure arises.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including known changes to legal requirements and known improvements in technology. The provision includes all costs associated with landfill post-closure including final cover application and vegetation; incremental drainage control features; completing facilities for leachate collection and monitoring; completing facilities for water quality monitoring; completing facilities for monitoring and recovery of gas.

Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits or if they are incurred to enable future economic benefits to be obtained. The capitalised landfill asset is depreciated over the life of the landfill based on capacity used.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the Council.

## Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than no that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

## Contingent Assets and Liabilities

Contingent liabilities and contingent assets are disclosed in the Statement of Contingent Liabilities and Contingent Assets at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

## Third party transfer payment agencies

Rotorua District Council collects monies for many organisations. Where collections are processed through Rotorua District Council's books, any monies held are shown as Accounts Payable in the Statement of Financial Position. Amounts collected on behalf of third parties are not recognised as revenues, but commissions earned from acting as agent are recognised in revenue.

## Equity

Ratepayers' Equity is the community's interest in the Council as measured by the value of the total assets less liabilities. Ratepayers' Equity is disaggregated and classified into a number of reserves to enable a clearer identification of the specific uses Council makes of its accumulated surpluses.

## Statement of Cash Flows

The statement of cash flows has been prepared using the direct approach subject to the netting of certain cash flows. Cash flows in respect of investments and borrowings that have been rolled-over under arranged finance facilities have been netted in order to provide more meaningful disclosures.

Operating activities include cash received from all income sources of the Council and the Group; record the cash payments made for the supply of goods and services and include cash flows from other activities that are neither investing nor financing activities. Investing activities relate to the acquisition and disposal of assets. Financing activities relate to activities that change the equity and debt capital structure of the Council and Group.

## Related Parties

A party is related to the Council if:

- directly or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with, the council
  - has an interest in the council that gives it significant influence over the council
  - has joint control over the council
- the party is an associate of the council
- the party is a joint venture in which the council is a venturer

- the party is a member of key management personnel (including any directors) of the council or its parent
- the party is a close member of the family of any individual referred to above
- the party is an entity controlled jointly control or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to above

Councillors, including the Mayor, are considered directors as they occupy the position of a member of the governing body of the Council reporting entity. Directors' remuneration is any money, consideration or benefit received receivable or otherwise made available, directly or indirectly, to a director during the reporting period. Directors' remuneration does not include reimbursement of legitimate work expenses or the provision of work related equipment such as cell phones and laptops.

## Reserves

### Council Created Reserves:

Council Created Reserves are that part of the accumulated surpluses established by Council resolution. Council may alter Council Created Reserves without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of Council.

### Restricted Reserves:

Restricted Reserves are those reserves subject to specific conditions accepted as binding by the Council, and which may not be revised by Council without reference to the courts or a third party. Transfers from Restricted Reserves may be made only for certain specified purposes or if certain specified conditions are met.

### Sinking Fund Reserves:

Prior to 1 July 1998, when the Local Government Act was amended, funds were required to be set aside each year to meet future repayments of loans or commitments. These funds, described as sinking funds, were administered by an independent body of Sinking Fund Commissioners appointed by the council. These funds are included in the Statement of Financial Position, and any associated interest income is included in the Statement of Financial Performance.

### Self-funding Reserves:

Certain activities are undertaken by Council on the basis that the activities generate enough revenue over time to cover the cost of their operation. The net surplus or deficit held on behalf of these activities have been included in the Statement of Financial Position as Self-funding Reserves.

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## Asset Revaluation Reserves

Revaluations are credited or debited to an asset revaluation reserve for that class of asset. When this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Statement of Financial Performance.

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## Comparative figures

Council has adopted the NZ equivalent International Financial Reporting Standards commencing with this report. Comparative figures for the 2006 year have been restated to comply with these standards.

In addition, to ensure consistency with the current year, certain comparative information has been restated or reclassified where appropriate. This has occurred:

- where classifications have changed between periods, and
- where the Council has made additional disclosure in the current year, and where a greater degree of disaggregating of prior year amounts and balances is therefore required.

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## Changes in Accounting Policies

### Early adoption of International Financial Reporting Standards

For reporting periods commencing on or after 1 January 2007, New Zealand reporting entities will be required to apply New Zealand equivalents to International Financial Reporting Standards (NZIFRS). Entities have the option of adopting NZIFRS early. The Council has decided to "early adopt" with effect from 1 July 2006 which means that these accounts have been prepared in accordance with NZIFRS for the first time.

# NOTES TO FINANCIAL STATEMENTS

## Note 1

### Affect of NZ IFRS on Council's Financial Position

#### Change in Terminology

Rotorua District Council has changed the name of the "Statement of Financial Position" to the "Balance Sheet", allowable under the new NZ IFRS Standards.

The following lists the changes in name of the major categories within the Balance Sheet, as required under NZ IAS1:

<i>Previous Category</i>	<i>New Category</i>
Cash at Bank	Cash and cash equivalents – includes on-call deposits realisable within 90 days
Receivables	Loans and other receivables – includes previous category prepayments
Payables	Trade and other payables
Accruals	Other financial liabilities
Properties intended for sale	Non-current assets held for sale
Long term debt	Non-current financial liabilities

#### *Other new categories*

Intangible assets  
– includes computer software previously accounted for under PPE

Held to maturity financial assets  
– includes long term portion of investments (shares)

Biological assets  
– forestry assets not previously included

#### Reconciliation of opening Balance Sheet from previous GAAP to NZ IFRS

The following details the movements in the opening balance sheet due to the effects of transition to NZ IFRS (see Illustration A).

#### Note (i)

On-call investments short term deposits of 90 days or less are now classified as *Cash and Cash Equivalents*.

#### Note (ii)

Prepayments now comes under the category *Loans and Other Receivables*.

#### Note (iii)

Current portion of Assets Held for Sale do not meet the criteria under NZ IFRS 5. Accordingly, the amount has been transferred to *Property, Plant and Equipment*. Change in *Non-Current Assets Held for Sale* is due to a number of these properties that now do not fall within this category, per NZ IFRS 5.

#### Note (iv)

The current portion of *Employee Entitlements* is now disclosed separately from *Other Financial Liabilities*.

#### Note (v)

The current portion of Landfill Aftercare Provision has been separately categorised.

#### Note (vi)

Computer Software has been separately categorised from Property, Plant and Equipment, per NZ IAS 38 requirements.

#### Note (vii)

Forestry assets which were not previously included in the Balance Sheet are now categorised under 'Biological Assets'.

#### Note (viii)

The long term portion of Employee Entitlements (\$881,000) is now under its own category. In addition, an actuarial valuation of sick leave entitlements (\$89,000) has been accrued into the accounts, per NZ IAS 19.

### Illustration A: Worksheet of changes from Closing Balance Sheet as at 30 June 2005 to Opening Balance Sheet as at 1 July 2005 (in thousands)

#### Balance Sheet at 30 June 2005

(old category / new category)

	Note (i)	Note (ii)	Note (iii)	Note (iv)	Note (v)	Note (vi)	Note (vii)	Note (viii)	Restated
Current Assets	On-call investments	Re-categorise Prepaid Exp	Properties for Sale	Employee Entitlements	Landfill Provision	Computer Software	Forestry Assets	Long Term Empl Entitlements	Opening Balance Sheet
Cash at Bank / Cash & Cash Equivalents	1,080	21,244							22,324
Current Investments	21,244	(21,244)							-
Inventories	1,125								1,125
Receivables / Loans & Other Receivables	11,500		385						11,885
Prepayments	385	(385)							-
Capital Projects under Construction	15,591								15,591
Properties Intended for Resale	55			(55)					-
<b>Total Current Assets</b>	<b>50,980</b>	<b>-</b>	<b>-</b>	<b>(55)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,925</b>
<b>Less Current Liabilities</b>									<b>-</b>
<i>Financial Liabilities:</i>									<b>-</b>
Payables / Trade & Other Payables	16,989								16,989
Accruals / Other Financial Liabilities	5,127			(2,430)	(60)				2,637
Current Portion of Public Debt	29,416								29,416
Current Portion of Landfill Aftercare Provision						60			60
Current Portion of Employee Entitlements					2,430				2,430
<b>Total Current Liabilities</b>	<b>51,532</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,532</b>
<b>Working Capital</b>	<b>(552)</b>	<b>-</b>	<b>-</b>	<b>(55)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(607)</b>
<b>Non-Current Assets</b>									<b>-</b>
Investments / Held to Maturity Financial Assets	1,888								1,888
Properties Intended for Resale / Non-current Assets Held for Sale	792					(707)			85
Property, Plant & Equipment	580,397			55		707	(1,595)		579,564
Intangible Assets (incl software excl OS sware)							1,595		1,595
Biological Assets (forestry)								856	856
<b>Total Non-Current Assets</b>	<b>583,077</b>	<b>-</b>	<b>-</b>	<b>55</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>856</b>	<b>583,988</b>
<b>Less Non-Current Liabilities</b>									<b>-</b>
Long Term Debt / Financial Liabilities	36,051								36,051
Employee Entitlements								970	970
Long Term Provisions / Landfill Aftercare Provision-non current portion	1,421							(881)	540
<b>Total Non-Current Liabilities</b>	<b>37,472</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>89</b>	<b>37,561</b>
<b>Total Net Assets</b>	<b>545,053</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>856</b>	<b>(89)</b>	<b>545,820</b>
<b>Represented By:</b>									<b>-</b>
Ratepayers Equity									<b>-</b>
Accumulated Funds	375,596						856	(89)	376,363
Self-funding Reserves	(15,728)								(15,728)
Council Created Reserves	46								46
Restricted Reserves	1,653								1,653
Sinking Fund Reserves	1,031								1,031
Airport Reserves	-								-
Asset Revaluation Reserve	182,455								182,455
<b>Total Ratepayers Equity</b>	<b>545,053</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>856</b>	<b>(89)</b>	<b>545,820</b>

## Note 2

### Self Funding Reserve

Self Funding Reserves are reserves established at Council's will for activities undertaken by Council on the basis that the activities will generate enough revenue over time to cover the cost of their operation. The reserve balance represents accumulated balances to date of such activities.

Description	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
(thousands)										
<b>SELF FUNDING ACCOUNTS BALANCES</b>										
Airport	-19,600	-12,394	-15,838	-24,461	-24,401	-23,580	-22,427	-21,075	-19,550	-18,468
Urban Water	-2,655	-6,392	-6,740	-6,959	-7,327	-7,585	-6,937	-5,896	-4,870	-3,311
Mamaku Water	-25	-137	-134	-130	-123	-115	-116	-104	-89	-72
Rotoiti Water	32	-82	-83	-83	-91	-88	-84	-77	-69	-58
Rotoma Water	32	-73	-72	-69	-63	-55	-45	-33	-19	-2
Kaharoa Water	-4	-181	-186	-183	-174	-161	-141	-116	-83	-43
Reporoa Water	-2,074	-2,004	-1,923	-1,816	-1,704	-1,551	-1,378	-1,182	-964	-720
Hamurana Water	53	-3	-9	-13	-17	-20	-23	-24	-25	-25
Okareka Water	24	19	15	11	6	2	-2	-6	-11	-15
Waste Water Rural	-1,740	-7,225	-10,101	-14,808	-20,768	-22,492	-33,351	-36,997	-36,451	-35,524
Refuse Collection	45	42	57	100	167	253	363	497	654	841
Landfill	-811	-1,740	-2,622	-2,115	-1,684	-1,286	-695	-113	-429	-640
Waste Water Urban	-427	-1,561	-5,935	-7,754	-7,576	-6,440	-4,334	-6,511	-4,186	-1,032
Eastern Sewerage Scheme	-12,402	-16,873	-22,905	-22,189	-20,433	-19,958	-19,565	-18,656	-17,565	-16,347
Rotorua Energy Events Centre Project	-3,197	-2,608	-1,966	-1,318	-1,153	-959	-739	-490	-213	-18
Pensioner Housing	1,103	1,076	941	1,042	1,152	1,123	1,103	1,244	1,333	1,408
<b>Grand Total</b>	<b>-41,646</b>	<b>-50,136</b>	<b>-67,502</b>	<b>-80,746</b>	<b>-84,188</b>	<b>-82,913</b>	<b>-88,371</b>	<b>-89,537</b>	<b>-82,539</b>	<b>-74,028</b>

Negative is overdraft.

## Note 3

### Council Created Reserve

Council Created Reserves are established by Council resolution for the purposes stated below. Transfers to and from these reserves is at the discretion of Council.

Description	Closing Balance	Closing Balance	Closing Balance	Closing Balance	Closing Balance	Closing Balance	Closing Balance	Closing Balance	Closing Balance	Closing Balance
(thousands)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Reporoa Domain	16	16	16	16	16	16	16	17	17	17
Waikite Domain	32	33	34	35	36	38	39	41	42	42
<b>Total Council Created Reserves</b>	<b>48</b>	<b>49</b>	<b>50</b>	<b>51</b>	<b>52</b>	<b>54</b>	<b>55</b>	<b>57</b>	<b>58</b>	<b>59</b>



## Note 4

### Restricted Reserve

Restricted Reserves are the subject of specific conditions set either by legislation, trust or bequests and the purpose may not be changed without reference to the Courts of a third party.

Description	Closing Balance	Closing Balance	Closing Balance	Closing Balance	Closing Balance	Closing Balance	Closing Balance	Closing Balance	Closing Balance	Closing Balance
(thousands)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Reserves Development	74	381	1,031	1,738	2,506	3,340	4,243	5,222	6,280	7,423
Property Development	2	2	2	2	2	2	2	2	2	2
<b>Total Restricted Reserves</b>	<b>76</b>	<b>383</b>	<b>1,033</b>	<b>1,740</b>	<b>2,508</b>	<b>3,342</b>	<b>4,245</b>	<b>5,224</b>	<b>6,282</b>	<b>7,425</b>

(Note: Minor roundings to Prospective Balance Sheet)

### Restrictions

**Reserve Development:** Section 108 of the Resource Management Act 1991 requires funds to be set aside for the Development of Reserves.

**Creative NZ Reserve:** Creative Communities New Zealand Scheme funds available for promoting the arts.

**Property Development:** Sections 561, 562, 572 of the Local Government Act 1974 requires various sales of properties to be credited to a Housing and Property Account. Funds are used for Property Development. The Act is now superseded and the reserve will be closed by 2007.

# CORPORATE HEALTH INDICATORS

In addition to performance targets for the individual activities that Council undertakes, there are also some high level strategic indicators that provide a sense of how well the organisation is performing collectively. Each year Council reports on the following corporate health indicators.

Corporate Health Indicators	Annual Targets
1. Annual Report	Unqualified Audit (NZ) opinion
2. LTCCP	No Audit (NZ) issues
3. LTCCP/Annual Plans	At least 70% targets met annually
4. Complaints/Appeals to External Agencies – Ombudsman – Privacy Commissioner – Audit	Any complaints determined in Council favour
5. Litigation Schedule	Risks manageable
6. Serious Fraud Matters (in terms of Council Policy)	Nil
7. NRB Rating (Council and Staff)	At least 10% above national average
8. Staff Turnover (organisationally)	No higher attrition than national statistics per annum
9. OSH Reports	OSH Audit Reports satisfactory ACC discount rating not less than 15%