

part 3:
financial
statements

Consolidated Statement of Financial Performance For the Year Ended 30 June 2008

	Notes	Council and Group Actual 2008 \$000	Council and Group Budget 2008 \$000	Council and Group Actual 2007 \$000
Revenue				
Rates Revenue	6	15,345	15,110	14,568
Other Revenue	7	12,838	11,315	10,515
Other Gains/(Losses)	8	456	102	1,015
Total Revenue		28,639	26,527	26,098
Expenditure				
Personnel Costs	9	4,069	4,479	3,890
Depreciation	3	6,541	5,158	4,343
Finance Costs	11	1,830	1,923	1,279
Other Expenses	10	14,017	11,709	13,273
Total Operating Expenditure		26,457	23,269	22,785
Share of Associate Surplus/(Deficit)	18	(4)	0	0
Surplus/(Deficit)	3	2,178	3,258	3,313

The accompanying Notes and Accounting Policies form part of the Financial Statements



Consolidated Statement of Financial Position

As at 30 June 2008

	Notes	Council and Group Actual 2008 \$'000	Council and Group Budget 2008 \$'000	Council and Group Actual 2007 \$'000
Assets				
Current Assets				
Cash & Cash Equivalents	12	2,671	1,244	2,451
Trade and Other Receivables	13	5,655	1,688	3,915
Inventories	14	27	61	64
Total Current Assets		8,353	2,993	6,430
Non-Current Assets				
Property, Plant & Equipment	2	24,583	16,251	19,274
Intangible Assets	16	84	436	262
Infrastructural Assets	2	295,119	275,302	287,931
Items under Construction	2	1,685	0	8,291
Financial Assets at Fair Value through Equity	15	457	526	592
Investment Property	17	5,219	3,627	4,630
Investment in Associates	18	6	0	0
Total Non Current Assets		327,153	296,142	320,980
Total Assets		335,506	299,135	327,420
Liabilities				
Current Liabilities				
Trade and Other Payables	19	5,989	1,912	5,168
Employee Benefits	21	301	288	251
Borrowings - Term	22	6,000	2,977	4,500
Income in Advance		540	280	457
Other Financial Liabilities		348	331	332
Total Current Liabilities		13,178	5,788	10,708
Non Current Liabilities				
Landfill Aftercare Provision	20	600	803	769
Employee Benefits	21	3	0	3
Borrowings - Term	22	18,700	21,013	15,000
Total Non Current Liabilities		19,303	21,816	15,772
Total Liabilities		32,481	27,604	26,480
Net Assets		303,025	271,531	300,940
Equity				
Ratepayers Equity	23	248,521	194,367	246,615
Special Funds	23	869	624	680
Other Reserves	23	53,635	76,540	53,635
Total Equity		303,025	271,531	300,930

The accompanying Notes and Accounting Policies form part of the Financial Statements

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2008

	Notes	Council and Group Actual 2008 \$000	Council and Group Budget 2008 \$000	Council and Group Actual 2007 \$000
Balance at 1 July 2007		300,930	245,974	243,958
<i>Property, Plant & Equipment</i>				
Revaluation Gains		0	22,332	53,635
<i>Financial Assets at Fair Value through Equity</i>		(83)	(33)	24
Surplus for the year		2,178	3,258	3,313
Transfer (to)/from Special Funds		0	0	0
Total Recognised Revenue/Expense for the Year ended 30 June 2008		2,095	25,557	56,972
Balance at 30 June 2008	23	303,025	271,531	300,930

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2008

	Notes	Council and Group Actual 2008 \$000	Council and Group Budget 2008 \$000	Council and Group Actual 2007 \$000
Cashflows from Operating Activities				
Rates		13,991	15,467	13,977
Subsidies and Grants		6,333	7,735	9,280
Interest Received		166	150	113
Dividends		23	10	22
Other Income		5,079	3,045	1,905
Movement in Trust Funds		486	0	11
Suppliers of Goods and Services		(13,678)	(13,016)	(12,393)
Employees and Elected Members Remuneration		(4,182)	(3,123)	(3,901)
Interest on Loans		(1,670)	(1,919)	(1,238)
Goods and Services Tax (Net)		(20)	0	(79)
Net Cash Increase from Operating Activities	3	6,528	8,349	7,697
Cashflows from Investing Activities				
Proceeds from Sale of Property, Plant & Equipment		0	0	65
Movement in Sinking Funds		33	0	3
Purchase of Intangible Assets		(28)	(271)	(74)
Purchase of Property, Plant & Equipment	2	(4,729)	(1,326)	(2,302)
Purchase of Infrastructural Assets	2	(6,784)	(8,996)	(8,037)
Net Cash (Decrease) from Investing Activities		(11,508)	(10,593)	(10,345)
Cashflows from Financing Activities				
Proceeds from Borrowings		12,200	4,166	7,500
Repayment of Borrowings		(7,000)	(2,977)	(4,700)
Net Cash Increase from Financing Activities		5,200	1,189	2,800
Net (Decrease) / Increase in Cash				
Cash Equivalents and Bank Overdrafts		220	(1,055)	152
Cash, Cash Equivalents and Bank Overdrafts at beginning of year		2,451	2,299	2,299
Cash, Cash Equivalents and Bank Overdrafts at end of year	12	2,671	1,244	2,451

The accompanying Notes and Accounting Policies form part of the Financial Statements

Ruapehu District Council and Group

Notes to the Financial Statements

1. Statement of Accounting Policies

Reporting Entity

Ruapehu District Council (Council) is a territorial local authority governed by the Local Government Act 2002 (LGA).

The Ruapehu District Council and Group consists of Council and its 100% owned subsidiary RDC Holdings Limited and associates and Ruapehu Wanganui Rangitikei Economic Development Trust (the Trust) (33% owned). RDC Holdings Limited was incorporated on 10 May 1996 in New Zealand and has not traded during the year.

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

The Trust was incorporated under the Charitable Trusts Act 1957 on 4 May 2006. The Trust was established to operate the Major Regional Initiative ("MRI") and other partnerships with New Zealand Trade and Enterprise. It is a Council Controlled Organisation according to the LGA and Council has an equal share, together with Rangitikei District Council and Wanganui District Council. To date, the Trust has not traded, but it is included in the financial statements as an associated company.

Basis for Preparation

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

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

This is the second set of financial statement using NZ IFRS and comparatives for the year ended 30 June 2007 have been restated to NZ IFRS accordingly.

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

The accounting policies set out below have been applied

consistently to all periods in these financial statements.

Standards and Interpretation issued and Not Yet Adopted

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

- NZIAS 1 - Presentation of Financial Statements (revised 2007) replaces NZIAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The revised standard gives Council the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with sub-totals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). Council intends to adopt this standard for the year ending 30 June 2010 and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.
- NZIAS 23 - Borrowing Costs (revised 2007) replaces NZIAS 23 Borrowing Costs (issued 2004) and is effecting for reporting periods beginning on or after 1 January 2009. The revised standard requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. The revised standard will also require borrowing costs to be considered when revaluing property, plant and equipment to fair value based on depreciated replacement cost. Any necessary adjustments to depreciated replacement cost carrying values will have flow-on effects to depreciation expense. Council intends to adopt this standard for the year ending 30 June 2010 and has not yet quantified the potential impact of the new standard.
- NZIFRS 3 - Business Combination (revised 2008) and the amended NZIAS 27 Consolidated Separate Financial Statements are effective for reporting periods beginning on or after 1 July 2009 and must be applied prospectively from that date. The main changes the revised NZIFRS 3 and amended NZIAS 27 will make to existing requirements or practice are:

- Partial Acquisition - Non-controlling interests are measured either as their proportionate interest in the net identifiable assets (which is the original NZIFRS 3 requirement) or at fair value.
- Step Acquisition - The requirement to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference or acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.
- Acquisition-Related Costs - Acquisition-Related Costs are generally recognised as expenses (other than included in the cost of acquisition).
- Contingent Consideration - Contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other NZIFRS' usually in profit or loss (other than by adjusting the cost of acquisition).

Council will adopt the revised NZIFRS 3 and amended NZIAS 27 for the year ended 30 June 2010, which will impact on business combinations that occur on or after 1 July 2009.

Budget Figures

The budget figures are those approved by Council at the beginning of the year in the Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Council for the preparation of the financial statements.

Critical Accounting Estimates and Assumptions

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

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Council and the revenue can be reliably measured. Revenue is recognised at fair value. The following specific recognition criteria must also be met before revenue is recognised.

Rates Revenue

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised on the due date for each instalment.

Other Revenue

Subsidy revenue is recognised when expenditure has been incurred and the claim for subsidy processed.

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

Traffic and parking infringements are recognised when tickets are issued.

Fees and charges are recognised as revenue when the obligation to pay arises or, in the case of licence fees, upon renewal of the licence. Expenditure is recognised when the service has been provided or the goods received.

Council receives government grants from petrol tax which subsidises part of its costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Rental income arising on property owned by Council is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

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

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

Where acting as an agent for another party derives revenue, the revenue that is recognised is the commission or fee on the transaction.

Interest income is recognised using the effective interest method.

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

Development Contributions

The revenue recognition point for development and financial contributions is at the later of the point when Council is ready to provide the service for which the contribution has levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation.

Development contributions are classified as part of "Other Revenue".

Vested Assets

Vested asset income recognises the value of land and/or works that have been handed over to Council following completion of the subdivision consent process. Vested assets are valued by applying standard unit rates to actual quantities of infrastructural components vested. The rates used are provided by the land developers and tested for reasonableness by Council engineering staff.

Expenditure

Expenditure is recognised when Council is deemed to have been supplied with the service or has control of the good supplied.

Borrowing Costs

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

Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

Leases

Operating Leases

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

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Trade and Other Receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Loans, including loans to community organisations made by Council at nil, or below market, interest rates are initially

recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cashflows of the loan is recognised in the statement of financial performance as a grant.

A provision for impairment of receivables is established when there is objective evidence that Council 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 using the effective interest method.

Inventories

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost (determined on a weighted average basis) and current replacement cost.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average basis method.

The write down from cost to current replacement cost or net realisable value is recognised in the statement of financial performance.

Financial Assets

Council classifies its financial assets into the following three categories: financial assets at fair value through profit or loss, loans and receivables and financial assets at fair value through equity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss, in which case the transaction costs are recognised in the Statement of Financial Performance.

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

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

The three categories of financial assets are:

- Financial assets at fair value through profit or loss
 - This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.
 - After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the statement of financial performance.
 - Currently, Council does not hold any financial assets in this category.
- Loans and receivables
 - These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
 - After initial recognition they are measured at amortisation cost using the effective interest method. Gains and losses when the asset is impaired or de-recognised are recognised in the Statement of Financial Performance. Loans and receivables are classified as "trade and other receivables" in the statement of financial position.
- Financial assets at fair value through equity
 - Financial assets at fair value through equity are those that are designated as fair value through equity or are not classified in any of the other categories above.
 - This category encompasses:
 - Investments that Council intends to hold long term but which may be realised before maturity.
 - Shareholdings that Council holds for strategic purposes. Council investments in its subsidiary and associate companies are not included in this category as they are held at cost (as allowed by NZ IAS 27 Consolidated and Separate Financial Statements and NZ IAS 28 Investments in Associates) whereas this category is to be measured at fair value.
 - After initial recognition these investments are measured at their fair value.
 - Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the statement of financial performance. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in statement of financial performance even though the asset has not been de-recognised.
 - On de-recognition the cumulative gains or loss previously recognised in equity is recognised in the statement of financial performance.

Associates

Council accounts for investments in associates in the Group financial statements using the equity method. An associate is an entity over which Council has significant influence and that is neither a subsidiary nor an interest in a joint venture of Council. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise Council's share of the surplus or deficit of the associate after the date of acquisition. Council's share of the surplus or deficit of the associate is recognised in Council's statement of financial performance.

Impairment of Financial Assets

At each balance sheet date Council assesses whether there is any objective evidence that a financial asset or group of financial asset is impaired. Any impairment losses are recognised in the Statement of Financial Performance.

Property, Plant and Equipment

Fixed assets are disclosed as follows:

Land

All land owned by Council, excluding land under roads, was valued at market value as at 1 July 2006 by Quotable Value Limited. Land under roads was valued based on fair value by determining the total land area and multiplying this by an average District land value determined by the recent Government valuation as at 1 July 2004. Council has elected to use the fair value of land under roads as at transition date, as deemed cost. Land under roads are no longer revalued.

Buildings

All buildings owned by Council were valued at depreciated replacement cost as at 1 July 2006 by Quotable Value Limited. This is considered to be the fair value of the properties.

Infrastructural Assets

Infrastructural Assets are the fixed utility systems providing an ongoing service to the community, but not generally regarded as tradeable (eg, roads, street lights, bridges, water and sewer reticulation systems, stormwater systems and refuse sites).

Land and buildings related specifically to an infrastructural asset are valued at depreciated replacement cost as at 30 June 2007. The valuation was carried out by Quotable Value Limited. This is considered to be the fair value of the properties. The assets were revalued at 30 June 2007 by DTZ New Zealand Limited.

The assets are recorded at their depreciated replacement cost as at 30 June 2008 plus subsequent additions at cost.

There are a number of assumptions and estimates used when performing depreciated replacement cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. The risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets.
- Estimating any obsolescence or surplus capacity of an asset.
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over- or under-estimating the annual depreciation charge recognised as an expense in the Statement of Financial Performance. To minimise the risk, Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Deprecation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of Council's management planning activities, which gives Council further assurance over its useful life estimates.

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

Restricted Assets

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

Restricted Land and Buildings were valued at fair value as at 1 July 2006 by Quotable Value Limited.

Plant and Equipment

All motor vehicles, plant and machinery, office furniture, equipment and management information systems owned by Council are valued at cost less accumulated depreciation.

Depreciation

Fixed assets are depreciated on a straight-line basis at rates that reflect their estimated useful lives. The depreciation rates of the various classes of assets are as follows:

Fixed Assets	Rate	Depreciation Method
Land	Nil	Not Depreciated

Fixed Assets	Rate	Depreciation Method
Buildings	1 - 2%	Straight Line
Computer Equipment	40%	Diminishing Value
Office Equipment, Furniture and Fittings	20%	Diminishing Value
Library Books	8%	Straight Line
Motor Vehicles and Other Equipment	10 - 30%	Straight Line

Council depreciates all infrastructural fixed assets, excluding stopbanks and land under roads.

Infrastructural fixed asset depreciation rates are based on the remaining useful life for each individual asset component, which equates to a range of rates as per Council's infrastructural asset register.

The base lives in years are:

Roads

Top Surface (seal)	20 years
Pavements Basecourse Formation	100 years
Culverts	NA (not depreciated)
Footpaths	60-100 years
Kerbs	80-100 years
Signs	80-100 years
Streetlights	10-15 years
Bridges	10-15 years
	70-100 years

Water Reticulation

Pipes	40-80 years
Valves, Hydrants	25-50 years
Pump Stations	10-60 years
Tanks	25-100 years

Sewerage Reticulation

Pipes	50-80 years ¹
Manholes	50 years
Treatment Plant	10-100 years

Stormwater Systems

Pipes	50-60 years ¹
Manholes, Cesspits	50 years

Stopbanks NA (Not depreciated)

Solid Waste 20 years

(1) Life depends on material type of pipe

Impairment

The carrying values of operational buildings, plant and equipment and infrastructural assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Council's assets do not generate direct cash inflows and cannot be grouped into cash generating units. Thus, Council

does not group its assets into cash generating units to assess impairment. Instead, Council annually tests for internal and external factors which may indicate that the carrying value of its assets exceeds depreciated replacement cost, which could indicate impairment has occurred.

If any such indication exists and, where the carrying values are found to exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount or depreciated replacement cost.

Impairment losses are recognised in the income statement in the writedowns and disposals line item unless they offset a prior asset revaluation reserve for that asset.

Revaluations

Following initial recognition at cost, operational land and buildings and infrastructural assets are carried at a revalued amount, which is the fair value at the date of the revaluation, less any subsequent accumulated depreciation on buildings and infrastructural assets and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Where no market exists for assets, for example for infrastructural assets, the fair value is the depreciated replacement cost.

Any revaluation surplus is credited to the appropriate asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement. Revaluation changes are recorded on a class of assets basis.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus in the same asset class in the asset revaluation reserve.

In addition, any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal

proceeds and the carrying amount of the item) is included in the income statement in the year the item is de-recognised.

Intangible Assets

Software Acquisition and Development

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

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

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

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

Computer Software	3 years	33.3%
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Investment Property

Properties leased to third parties under operating leases are classified as investment property, unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment properties are initially measured at cost, unless acquired at less than fair value when they are recognised at fair value.

After initial recognition, Council measures all investment property at fair values as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the statement of financial performance.

Impairment of Non-Financial Assets

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

Value in use is depreciated replacement cost for an asset

where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

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

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

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

Employee benefits

Short Term Benefits

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

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

Council recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that Council anticipates it will be used by staff to cover those future absences.

Long Term Benefits

Long Service Leave

Entitlements that are payable beyond 12 months, such as long service leave, have been calculated on an actuarial basis. The calculation is based on likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information.

Provisions

Provisions are recognised when Council has a present obligation (legal or constructive) as a result of a past event,

and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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

Borrowings

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

Equity

Equity is the community's interest in Council and is measured as the difference between total assets and total liabilities. Equity is dis-aggregated and classified into a number of reserves.

The components of equity are:

- Ratepayers equity
- Special funds
- Asset revaluation reserves

Restricted and Council Created Reserves

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

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

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

Council objectives, policies and processes for managing capital are described in Note 29.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or

expense.

The amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

Landfill Aftercare Provision

Council, as owner of one operating landfill, has a legal obligation under the resource consent to provide ongoing maintenance and monitoring services at the landfill sites. A provision for post-closure costs has been recognised as a liability.

The provision is based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post closure.

2. Fixed Assets Reconciliation

(a) As at 30 June 2008

	Cost/Revaluation 1 July 2007	Accumulated Depreciation/ Impairment Charges 1 July 2007	Carrying Amount 1 July 2007	Current Year Additions and Other Movements	Current Year Disposals	Depreciation on Disposal	Current Year Depreciation	Cost Revaluation 30 June 2008	Accumulated Depreciation 30 June 2008	Carrying Amount 30 June 2008
Council Operating Assets										
Land	8,811	0	8,811	205	0	0	0	9,016	0	9,016
Buildings	6,746	(39)	6,707	5,526	(149)	1	(305)	12,123	(343)	11,780
Plant & Vehicles	683	(351)	332	36	0	0	(56)	719	(407)	312
Computer Equipment	544	(335)	209	20	0	0	(88)	564	(423)	141
Office Equipment	1,230	(820)	410	262	(78)	53	(106)	1,414	(873)	541
Library Collections	812	(369)	443	50	0	0	(42)	862	(411)	451
Total Operating Assets	18,826	(1,914)	16,912	6,099	(227)	54	(597)	24,698	(2,457)	22,241
Council Restricted Assets										
Land	1,634	0	1,634	20	0	0	0	1,654	0	1,654
Improvements	734	(6)	728	0	(37)	0	(3)	697	(9)	688
Total Restricted Assets	2,368	(6)	2,362	20	(37)	0	(3)	2,351	(9)	2,342
Total Operating and Restricted Assets	21,194	(1,920)	19,274	6,119	(264)	54	(600)	27,049	(2,466)	24,583

(b) As at 30 June 2008

	Cost/Revaluation 1 July 2007	Accumulated Depreciation 1 July 2007	Carrying Amount 1 July 2007	Current Year Additions and Other Movements	Current Year Disposals	Current Year Depreciation	Cost Revaluation 30 June 2008	Accumulated Depreciation 30 June 2008	Carrying Amount 30 June 2008
Council Infrastructural Assets									
Roading network	203,564	0	203,564	7,357	0	(3,157)	210,921	(3,157)	207,764
Bridges	30,186	0	30,186	345	0	(583)	30,531	(583)	29,948
Water Supply	17,759	0	17,759	2,001	0	(814)	19,760	(814)	18,946
Sewerage	15,681	0	15,681	2,590	0	(694)	18,271	(694)	17,577
Stormwater	9,245	0	9,245	470	0	(366)	9,715	(366)	9,349
Stopbanks	1,025	0	1,025	156	0	0	1,181	0	1,181
Solid Waste Management	1,371	0	1,371	5	0	(122)	1,376	(122)	1,254
Land under roads	9,100	0	9,100		0	0	9,100	0	9,100
Total Infrastructural Assets	287,931	0	287,931	12,924	0	(5,736)	300,855	(5,736)	295,119
Items Under Construction	8,291	0	8,291	0	(6,606)	0	1,685	0	1,685

The discount rate used reflects current market assessments of the time value of money and the risks specific to Council.

Classification of Property

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

Critical Judgement in Applying Council's Accounting Policies

Management has exercised the following critical judgements in applying Council's accounting policies for the Annual Plan for the period ended 30 June 2008.

2. Fixed Assets Reconciliation (continued)

(a) As at 30 June 2007

	Cost/Revaluation 1 July 2006	Accumulated Depreciation 1 July 2006	Carrying Amount 1 July 2006	Depreciation Reversal on Revaluation	Revaluation Surplus	Cost Revaluation 1 July 2007	Current Year Additions	Current Year Disposals	Depreciation on Disposals	Current Year Depreciation Accumulated Depreciation 30 June 2007	Carrying Amount 30 June 2007
Council Operating Assets											
Land	3,136	0	3,136	0	5,675	8,632	0	0	0	0	8,811
Buildings	7,014	(819)	6,195	819	450	6,645	116	(15)	(1)	40	6,707
Plant & Vehicles	678	(365)	313	0	0	678	149	(144)	(52)	38	332
Computer Equipment	669	(484)	185	0	0	669	119	(244)	(234)	85	209
Office Equipment	1,159	(745)	414	0	0	1,159	117	(46)	(25)	100	410
Library Collections	766	(327)	439	0	0	766	46	0	0	42	443
Total Operating Assets	13,422	(2,740)	10,682	819	6,125	18,549	547	(449)	(312)	305 (1,914)	16,912
Council Restricted Assets											
Land	717	0	717	0	917	1,634	0	0	0	0	1,634
Improvements	701	(87)	614	87	120	734	0	0	0	6	728
Total Restricted Assets	1,418	(87)	1,331	87	1,037	2,368	0	0	0	6 (6)	2,362
Total Operating and Restricted Assets	14,840	(2,827)	12,013	906	7,162	20,917	547	(449)	(312)	311 (1,920)	19,274

(b) As at 30 June 2007

	Cost/Revaluation 1 July 2006	Accumulated Depreciation 1 July 2006	Carrying Amount 1 July 2006	Current Year Additions	Current Year Disposals	Depreciation Reversal on Revaluation	Current Year Depreciation	Revaluation Surplus	Cost Revaluation 30 June 2007	Accumulated Depreciation 30 June 2007	Carrying Amount 30 June 2007
Council Infrastructural Assets											
Roading network	172,523	(4,645)	167,878	3,649	0	(7,417)	(2,772)	34,809	203,564	0	203,564
Bridges	30,691	(1,019)	29,672	0	0	(1,019)	0	514	30,186	0	30,186
Water Supply	16,342	(975)	15,367	0	0	(1,468)	(493)	2,885	17,759	0	17,759
Sewerage	11,990	(890)	11,100	0	0	(1,338)	(448)	5,029	15,681	0	15,681
Stormwater	6,876	(475)	6,401	6	0	(711)	(236)	3,074	9,245	0	9,245
Stopbanks	900	0	900	0	0	0	0	125	1,025	0	1,025
Solid Waste Management	1,692	(376)	1,316	34	0	(410)	(34)	55	1,371	0	1,371
Land under roads	9,100	0	9,100	0	0	0	0	0	9,100	0	9,100
Total Infrastructural Assets	250,114	(8,380)	241,734	3,689	0	(12,363)	(3,983)	46,491	287,931	0	287,931
Items Under Construction	2,371	0	2,371	9,603	(3,683)	0	0	0	8,291	0	8,291

3 Reconciliation of Net Surplus/(Deficit) to Net Cash Flow from Operating Activities

	Actual 2007/08 \$000	Actual 2006/07 \$000
Operating Surplus/(deficit)	2,178	3,313
Add/(less) non cash items:		
Depreciation and amortisation	6,541	4,343
Impairment charges	469	59
Other non-cash items	51	(54)
(Gains)/losses in fair value of investment property	(624)	(1,088)
Add/(less) items classified as investing or financing activities		
(Gains)/losses on disposal of property, plant and equipment	168	73
Add/(less) movements in working capital items:		
Trade and Other Receivables	(2,210)	334
Inventories	37	(3)
Trade and Other Payables	852	732
Employee Benefits	50	(5)
Adjustments for Non-Operating Cashflow		
Capital Creditors	(984)	(7)
Net cash inflow/outflow from operating systems	6,528	7,697

4. Capital Commitments

	Actual 2007/08 \$000	Actual 2006/07 \$000
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	3,755	3,791
Other Non-Cancellable Contracts		
Council has entered into a number of non-cancellable contracts for the delivery of services		
Not later than one year	8,910	3,702
Later than one year and not later than two years	7,432	390
Later than two years and not later than five years	7,813	0
Total Other Non-Cancellable Contracts	24,155	4,092
Operating Leases as Lessee		
The future aggregate minimum lease payments to be paid under Non-Cancellable operating leases is as follows:		
Not later than one year	31	21
Later than one year and not later than five years	120	78
Later than five years	313	331
Total Non-Cancellable Operating Leases	464	430
Total Commitments	28,374	8,313

A significant portion of the non-cancellable operating lease amount relates to the lease of an office building. The lease expires in September 2031, with a right of renewal for a further 25 years. Council does not have the option to purchase the asset at the end of the lease term. There are no significant commitments for operational assets (PPE), intangible assets or investment property as at balance date.

5. Summary Cost of Services

	Actual 2007/08 \$000	Budget 2007/08 \$000	Actual 2006/07 \$000
Revenue			
Leadership	201	163	162
Regulation Services	888	898	794
Resource Management	160	138	161
Land Transport	13,361	12,335	11,595
Sewerage	2,134	1,715	1,624
Water Supply	2,587	2,723	2,569
Stormwater	518	511	447
Solid Waste	1,671	1,563	1,488
Recreation & Community Facilities	749	755	757
Community Development	1,034	1,170	940
Community Property	943	399	1,494
Total Activity Revenue	24,246	22,370	22,031
Other Revenue	342	425	328
General Rates	4,051	3,732	3,739
Total Revenue	28,639	26,527	26,098
Expenditure			
Leadership	2,123	2,211	1,973
Regulation Services	1,392	1,297	1,294
Resource Management	325	411	241
Land Transport	11,293	9,330	10,103
Sewerage	1,954	1,660	1,457
Water Supply	2,727	2,466	2,182
Stormwater	644	536	551
Solid Waste	1,671	1,793	1,630
Recreation & Community Facilities	1,870	1,865	1,748
Community Development	1,234	1,305	1,103
Community Property	415	419	370
	25,648	23,293	22,652
Less: internal interest expenditure	(24)	(24)	(39)
Add: Rates written off	833	0	172
Total operating expenditure	26,457	23,269	22,785

Each significant activity is stated gross of internal costs and revenues, and includes targeted rates attributable to activities (Note 3). In order to fairly reflect the total external operations for the Council in the Statement of Financial Performance, these transactions are eliminated as shown above.

6. Rates Revenue

	Actual 2007/08 \$000	Actual 2006/07 \$000
General rates	4,051	3,739
Targeted rates attributable to activities		
Leadership	163	162
Stormwater	513	447
Land Transport	4,140	4,063
Water Supply	2,197	2,170
Sewerage	1,626	1,543
Recreation & Community Facilities	616	622
Community Development	784	678
Regulation	166	148
Solid Waste	1,089	996
Total revenue from rates	15,345	14,568

Rates Remissions

Rates revenue is shown net of rates remission. Council's Remission Policy allows Council to remit rates on:

	Actual 2007/08 \$000	Actual 2006/07 \$000
Total rates revenue	16,034	15,180
Rates remissions		
Land used for sport	24	21
Land protected for historical or cultural purposes	10	9
Contiguous and Land-locked properties	655	582
Total remissions	689	612
Rates revenue net of remissions	15,345	14,568

In accordance with the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. This includes schools, places of religious worship, public gardens and reserves. Other properties that qualify for remissions are contiguous and land-locked properties. These non-rateable properties, where applicable, may be subject to targeted rates in respect of sewerage, water, refuse and sanitation. Non-rateable land does not constitute a remission under Council's Rates Remission Policy.

7. Other Revenue

	Actual 2007/08 \$000	Actual 2006/07 \$000
User charges	2,817	1,610
Land Transport NZ government grants	8,558	7,358
Regulatory revenue	699	619
Rental received from investment properties	119	230
Infringements and fines	23	27
Petrol tax	180	203
Interest received	166	113
Dividend received	23	10
Development contributions	13	269
Other	240	76
Total other revenue	12,838	10,515

8. Other Gains/(Losses)

	Actual 2007/08 \$000	Actual 2006/07 \$000
Gains/losses on changes in fair value of other financial assets		0
Gains/losses on disposal of property, plant and equipment	(168)	(73)
Gains/losses on changes in fair value of investment property (Note 16)	624	1,088
Total Other Gains (Losses)	456	1,015

9. Employee Benefit Expenses

	Actual 2007/08 \$000	Actual 2006/07 \$000
Salaries and wages	4,019	3,895
Increase/(decrease) in employee benefit liabilities	50	(5)
Total employee benefit expenses	4,069	3,890

10. Other Expenses

	Actual 2007/08 \$000	Actual 2006/07 \$000
Includes:		
Audit Fees to principal auditor		
- Financial Statement Audit	99	84
- Subsidiaries	3	2
- NZIFRS Transition	0	10
Total fees to principal auditor	102	96
Impairment of receivables	469	59
Direct expenses from investment property generating income	415	370
Rental expenses	117	88
Other operating expenses	12,914	12,660
Total Other Expenses	14,017	13,273

11. Finance Costs

	Actual 2007/08 \$000	Actual 2006/07 \$000
Interest Expense		
Interest on bank borrowings	1,830	1,279
Total finance costs	1,830	1,279

12. Cash and Cash Equivalents

	Actual 2007/08 \$000	Actual 2006/07 \$000
Cash at bank and in hand	86	248
Short term deposits maturing three months or less from date of acquisition	2,585	2,203
Total cash and equivalents	2,671	2,451

The carrying value of short term deposits with maturity dates of three months or less approximates their fair value.

13. Trade and Other Receivables

	Actual 2007/08 \$000	Actual 2006/07 \$000
Rates receivables	3,902	3,251
Other receivables	2,441	1,250
Sundry debtors	752	386
	7,095	4,887
Less provision for impairment of receivables	(1,440)	(972)
Trade and other receivables	5,655	3,915

Council provides for impairment on rates receivables although it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. Ratepayers can apply for payment plan options in special circumstances.

These powers allow Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgement, then Council can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit.

There are no aged rates receivables overdue, whose payment terms have been renegotiated.

As at 30 June 2008 and 2007, all overdue receivables have been assessed for impairment and appropriate provisions applied. Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

The impairment provision has been calculated based on different categories of debtors. Most debtors exceed one year. Expected losses have been determined based on an analysis of Council's losses in previous periods, and review of specific debtors.

The status of receivables as at 30 June 2008 and 2007 are detailed below.

	Gross Impairment		Net
	\$000	\$000	\$000
2008			
Not past due	2,594	-	2,594
Past due 1 - 60 days	561	-	561
Past due 61 - 120 days	38	-	38
Past due >129 days	3,902	1,440	2,462
Total	7,095	1,440	5,655
2007			
Not past due	1,338	-	1,338
Past due 1 - 60 days	58	-	58
Past due 61 - 120 days	106	-	106
Past due >129 days	3,385	972	2,413
Total	4,887	972	3,915

14. Inventories

	Actual 2007/08 \$000	Actual 2006/07 \$000	2008	Short Term Deposits \$000	Sinking Fund Investments \$000
Merchandise Visitor Centres	25	25	Short term deposits (with maturities of 3 months or less, average maturity 24 days)	2,671	0
Recycle bins	2	3	Weighted average effective interest rate	8.30%	0
Quarry Stocks	0	36			
Total inventories	27	64			

The carrying amount of inventories held for distribution that are measured at current replacement cost as at 30 June 2008 amounted to \$27,000 (2007 \$28,000).

The carrying amount of commercial inventories that are measured at net realisable value is \$Nil (2007 \$36,000).

15. Other Financial Assets

	Actual 2007/08 \$000	Actual 2006/07 \$000	2007	Short Term Deposits \$000	Sinking Fund Investments \$000
Current portion			Short term deposits (with maturities of 3 months or less, average maturity 24 days)	2,451	0
<i>Loans and receivables</i>			Weighted average effective interest rate	7.61%	0
Short term deposits with maturities of 4 to 12 months	0	0			
Total current portion	0	0	Short term deposits with maturities of 4 to 12 months (average maturing 170 days)	0	33
			Weighted average effective interest rate	0	6.83%
Non-current portion					
Fair value through equity					
Sinking fund investments	0	33			
Shares in Civic Assurance	134	124			
Shares in King Country Energy	12	13			
Wanganui Forestry Committee	311	406			
Other investments	0	16			
Total fair value through equity	457	592			
Total non current portion	457	592			

There were no impairment provisions for other financial assets.

Sinking fund investments are restricted in use to the repayment of associated borrowings and are administered by the sinking fund commissioners.

Maturity Analysis and Effective Interest Rates

The maturity dates for all other financial assets with the exception of equity investments, and advances to subsidiaries and associates are as follows:

16. Intangible Assets

	Computer Software \$000
Balance at 1 July 2007	
Cost	810
Accumulated amortisation and impairment	(548)
Opening carrying amount: 1 July 2007	262
Year ended 30 June 2008	
Additions	28
Amortisation charge	(206)
Closing carrying amount	84
Balance at 30 June 2008	
Cost	795
Accumulated amortisation and impairment	(711)
Closing carrying amount	84
Balance at 1 July 2006	
Cost	740
Accumulated amortisation and impairment	(499)
Opening carrying amount	241
Year ended 30 June 2007	
Additions	70
Amortisation charge	(49)
Closing carrying amount	262
Balance at 30 June 2007	
Cost	810
Accumulated amortisation and impairment	(548)
Closing carrying amount	262

17. Investment Property

	Actual 2007/08 \$000	Actual 2006/07 \$000
Balance at 1 July 2007	4,630	3,353
Fair gains (losses) on valuation	624	1,088
Sale/transfer of investment properties	(35)	189
Balance at 30 June 2008	5,219	4,630

Council's investment properties are valued annually at fair value effective 30 June. All investment properties were valued based on open market evidence. The valuation was performed by Jeremy Allsop, an independent valuer from Quotable Value Palmerston North, an experienced valuer with extensive market knowledge in the types of investment properties owned by Council.

	Actual 2007/08 \$000	Actual 2006/07 \$000
Rental Income	70	74
Expenses from property generating income	37	38

18. Investments in Associates

Council has a 33% interest in Ruapehu Wanganui Rangitikei Economic Development Trust (WRED) and its reporting date is at 30 June.

	Actual 2007/08 \$000	Actual 2006/07 \$000
Investment in Ruapehu Wanganui Rangitikei Economic Development Trust		
Balance at 1 July	10	0
New Investments during the year	0	0
Disposal of Investments during the year	0	0
Share of total recognised revenue and expenses	(4)	10
Balance 30 June	6	10

The investment in the associate company is carried at fair value in Council's Statement of Financial Position.

Fair value is determined by reference to the Trust's 30 June 2008 Annual Report.

Summarised Financial Information of Associate Companies

	Actual 2007/08 \$000	Actual 2006/07 \$000
Assets	188	67
Liabilities	170	38
Revenues	416	687
Surplus/deficit	(12)	30
Council interest	33%	33%

19. Trade and Other Payables

	Actual 2007/08 \$000	Actual 2006/07 \$000
Trade payables	4,637	3,496
Accrued expenses	829	986
Amounts due to customers for contract work	523	686
Total trade and other payables	5,989	5,168

Trade and other payables are non interest bearing and are normally settled on 30 day terms. Therefore, the carrying value of other payables approximates their fair value.

20. Provisions

	Actual 2007/08 \$000	Actual 2006/07 \$000
Non-current provisions are represented by:		
Landfill aftercare provision	600	769
Total non-current provisions	600	769
Landfill		
Opening balance	769	740
Additional provisions made during the year	0	0
Amounts used during the year	0	0
Unused amount reversed during the year	(211)	(61)
Discount unwinding	42	90
Closing Balance	600	769

Provision for Landfill Aftercare Costs

Council gained a resource consent on 30 July 2001 to operate the landfill until 3 October 2020. Council has responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the site is closed.

The management of the landfill will influence the timing of recognition of some liabilities – for example the current landfill will operate in two stages. A liability relating to stage two will only be created when this stage is commissioned and when refuse begins to accumulate in this stage.

- The remaining capacity of the site is 110,110m³.
- The remaining life of the Resource Consent is 12 years.
- Council's engineers have made the estimates of the remaining life based on change of use and efficiency.

The cash outflows for landfill post closure are expected to occur in eight to 30 years' time (or between 2015 and 2023).

The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provisions has been estimated taking into account exiting technology and using a discount rate of 8%.

2008

	Overdraft Council	Secured Loans Council
Less than one year	0	6,000
Weighted average effective interest rate	0	7.46%
Later than one year but not more than five years	0	18,700
Weighted average effective interest rate	0	8.10%
	0	24,700

21. Employee Benefit Liabilities

	Actual 2007/08 \$000	Actual 2006/07 \$000
Annual leave	301	251
Retirement gratuities	3	3
Total employee benefit liabilities	304	254
Comprising:		
Current	301	251
Non current	3	3
Total employee benefit liabilities	304	254

Fair Values of Non-Current Borrowings

The carrying amounts and the fair values of non current borrowings are as follows

	Carrying Amounts 2007/08 \$000	Carrying Amounts 2006/07 \$000
Secured Loans (Council)	18,700	15,000
Total	18,700	15,000
Fair Value		
Secured Loans (Council)	14,893	12,222
Total	14,893	12,222

The fair values are based on cashflows discounted using a rate based on the borrowing rate of 8.10% (2007: 7.24%).

The carrying amounts of borrowings repayable within one year approximate their fair value.

22. Borrowings

	Actual 2007/08 \$000	Actual 2006/07 \$000
Current		
Secured loans	6,000	4,500
Total current borrowings	6,000	4,500
Non current		
Secured loans	18,700	15,000
Lease liabilities	0	0
Total non current borrowings	18,700	15,000

Fixed Rate Debt

Council's secured debt of \$24,700,000 (2007 \$19,500,000) is issued at fixed rates of interest.

Maturity Analysis and Effective Interest Rates

The following is a maturity analysis of Council's borrowing (excluding finance leases, which are shown separately below). There are no early repayment options.

The debt is secured by registered charge over Rates Revenue.

23. Equity

	2007/08 \$000	2006/07 \$000
Retained Earnings		
At 1 July	246,615	243,373
Transfer to (from) Special Funds	(189)	(95)
Financial assets at fair value through equity	(83)	24
Surplus (deficit) for the year	2,178	3,313
As at 30 June	248,521	246,615
Special Funds		
Restricted Reserves		
At 1 July	523	448
Transfer (to)/from Retained Earnings	144	(12)
Interest transferred to Special Funds	37	87
As at 30 June	704	523
Council Created Reserves		
At 1 July	157	137
Transfer to Retained Earnings	(4)	(4)
Interest transferred to Special Funds	12	24
As at 30 June	165	157
Total Special Funds	869	680

Asset Revaluation Reserves Movement in Asset revaluation Reserves

At 1 July	53,635	0
Operational		
- Buildings	0	523
- Land	0	6,441
Infrastructural		
- Stopbanks	0	125
- Sewerage	0	5,029
- Roading Network	0	35,325
- Stormwater	0	3,074
- Landfills	0	233
- Water	0	2,885
As at 30 June	53,635	53,635
Total Equity	303,025	300,930

Restricted reserves are those reserves subject to specific conditions accepted as binding by Council and which Council may not revise without reference to the Courts or third parties. Transfers from these reserves may only be made for certain specific purposes, or when specified conditions are met. Most of the restricted reserves relate to monies inherited during the amalgamation of Ruapehu District Council.

24. Contingencies

Actual 2007/08 \$000	Actual 2006/07 \$000
150	50

Council has one legal proceeding against it in relation to an allegation of inadequate compensation having been paid for acquired land. The potential liability to Council, if the claim is successful, is estimated to be \$150,000. The probable outcome of the claim will not be known until legal proceeds progress further.

25. Related Party Transactions

Detailed Key Management Personnel Related Party Transactions

	Actual 2007/08 \$000	Actual 2006/07 \$000
Services provided by Ohakune Holiday Park		
- Uwe Kroll was a Council Member and owner of Ohakune Holiday Park	4	1
Services provided by Warren Furner Project Services Limited		
- Warren Furner was a Council Member and Director of Warren Furner Project Services Limited	6	43
Services provided by Beedees Lawn Care		
- Cynthia Dowsett is a Council Member and Cynthia's husband is the owner of Beedees Lawn Care	0	1
Services provided by Kydd's Paperplus		
- Jeni Kydd is a Council Member and owner of Kydd's Paperplus	4	0
Services provided by Katoa Alliance Ltd.		
- Siti Mavoa is Group Manager Corporate Services and payment was made to his wife. Both are Director of Katoa Alliance Ltd.	4	0
Key Management Personnel Compensation		
Salaries and other short term employee benefits	729	704
Post employment benefits	0	0
Other long term benefits	0	0
Termination benefits	0	0

RDC Holdings Limited is a 100% owned subsidiary of Ruapehu District Council. The subsidiary has not traded in the 2008 year. Therefore, no transactions occurred between Council and the subsidiary.

There are no outstanding balances for related parties as at balance date.

Key Management Personnel Compensation

Key management personnel include the Mayor, Councillors, Chief Executive and four other senior management personnel.

26. Remuneration

Chief Executive

	Actual 2007/08 \$000	Actual 2006/07 \$000
Chief Executive	\$000	\$000
The Chief Executive received the following remuneration		
Salary		
D Hammond	139,797	37,650
C Ryan (Jul 2006 - Feb 2007)	0	106,306
Vehicle (Market Value plus FBT)		
D Hammond	9,697	6,720
C Ryan (Jul 2006 - Feb 2007)	0	14,129

For the year ended 30 June 2008, the total annual cost including fringe benefit tax to Council of the remuneration package being received by both Chief Executives is calculated at \$149,494 (2006: \$164,805).

Elected Representatives

	Actual 2007/08 \$000	Actual 2006/07 \$000
Council		
Morris, Sue (Mayor)	60,273	59,598
Broderson, Bruce	12,561	12,950
Byelich, Darko	3,725	18,901
Cameron, Donald	6,662	0
Compton, John	11,931	13,454
Cooke, Ronald	6,792	0
Cosford, Graeme	16,051	20,615
Dowsett, Cynthia	10,130	11,080
Frew, Ronald	5,994	0
Furner, Warren (part Deputy Mayor)	15,639	14,460
Gillard, Marion	14,183	17,568
Kroll, Uwe	2,908	7,376
Kydd, Jeni	5,861	0
Ngatai, Karen	10,231	14,310
Shaw, Stuart	3,238	12,440
Woolliams, Craig (pt Deputy Mayor)	2,512	17,871
Total Council	188,691	220,623
Community Boards		
Broadbent, Frank	549	1,862
Brown, Deryck	1,935	1,862
Harvey, Shayne	980	1,862
Hawthorne, Phillip	595	1,862
Malcolm, Kenneth	1,935	1,862
Paul, James	1,935	1,862
Punch, Michael	549	1,862
Shepherd, Glenys	549	1,862
Thompson, Bruce	1,935	1,862
Whale, Allan	1,241	0
Adams, Steve	1,340	0
Cameron, Phyllis	1,386	0
Forbes, Shona	2,661	1,862
Hotter, John (Luigi)	431	0
Total Community Boards	18,021	18,620
Total Elected Members	206,712	239,243

27. Events After the Balance Sheet Date

There were no significant events after balance date.

28. Financial Instrument Risks

Detail any policies to manage risks associated with financial instruments, eg:

Price Risk

Council's policy is to manage its interest cost by fixing the interest rates.

The effective interest rates on investments (current and non-current) were:

Short Term Deposits	Range
1 July 2006 - 30 June 2007	7.25% - 8.00%
1 July 2007 - 30 June 2008	8.00% - 8.56%

In addition, receivable balances are monitored on an ongoing basis with the result that Council's exposure to bad debts is not significant.

Interest Rate Risk

The interest rates on Council's investments are disclosed in Note 15 and on Council's borrowings in Note 22.

Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowing issued at fixed rates expose Council to fair value interest rate risk. Council's Liability Management Policy outlines the level of borrowing that is to be secured using fixed rate instruments.

Credit Risk

Credit risk is the risk that a third party will default on its obligation to Council, causing Council to incur a loss.

Council has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Financial Risk Management Objectives and Policies

Council's principal financial instruments comprise cash, short term deposits, accounts receivable, term investments, accounts payable, term borrowings and equity investments.

The main purpose of these financial instruments is to raise finance for Council's operations and complete day to day transaction while meeting Council's service delivery objectives.

It is, and has been throughout the period under review, Council's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Council's financial instruments are interest rate risk and credit risk. Council reviews and agrees policies for managing each of these risks and they are summarised below.

Council also monitors the market price risk arising from all financial instruments.

Council invests funds only in deposits with registered banks and local authority stock and its Investment Policy limits the amount of credit exposure to any one institution or organisation.

Liquidity Risk

Liquidity risk is the risk that Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Council aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, Council maintains a target level of investments that must mature within the next 12 months.

Council manages its borrowings in accordance with its funding and financial policies, which includes a Liability Management Policy. These policies have been adopted as part of Council's Long Term Council Community Plan.

29. Capital Management

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

The LGA requires Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

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

Council has the following Council created reserves:

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

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

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

Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose they were donated.

30. Explanation of Major Variances Against Budget

Explanation of major variations from Council's estimated figures in the 2006-16 Long Term Council Community Plan are as follows:

Statement of Financial Performance

Major variances occurred in the following areas:

- Other Revenue - due to the increase in subsidy from Land Transport New Zealand because of increased performance in road works. This is also reflected in increased cost of the Land Transport activity.
- Gain on changes in fair value of investment properties which was not budgeted for.
- A significant increase in depreciation, due to the completion of significant projects and the valuation in 2007 not being recorded in the 2007/08 Exceptions Annual Plan.

Statement of Financial Position

- Short term deposits are double the figure that was budgeted for, but the level is about the same as actual last year.
- Trade and other receivables have increased by 44% compared to last year's debtors figures, due to increased Transfund claims.
- Trade and Other Payables have increased due to large payments due on Raetihi Pipiriki Road.

Statement of Movements in Equity

- The major variance is less surplus, due to increased depreciation charges.

31. Employee Severance Payments

No severance payments were made during the year (2007: \$nil).

32. Taxation

	Actual 2008	Actual 2007
Components of tax expense		
Current tax expenses	0	0
Adjustments to current tax in prior year	0	0
Deferred tax expenses	0	0
Income tax expense	0	0
Relationship between tax and accounting profit		
Surplus/(deficit) before tax	1,447	3,313
Tax @ 33%	478	1,093
Non-taxable income	(474)	(1,093)
Tax loss not previously recognised	(3)	0
Prior year adjustment	0	0
Tax expense	0	0

33. Council Controlled Organisations

Ruapehu Wanganui Rangitikei Regional Economic Development Trust - The objective of the Ruapehu Wanganui Rangitikei Regional Economic Development Trust is the promotion and implementation of regional development initiatives that may be identified by the trustees or the community in general, that benefit communities within New Zealand, but primarily within the territorial authority districts of Ruapehu, Wanganui and Rangitikei. The Trust was established on 4 May 2006.

There was no Statement of Intent for the 2007/08 year. The Statement of Intent was developed during that year for adoption on 1 July 2008. However, the table below outlines progress on the Key Performance Indicators from the Trust's Statement of Intent.

Additional Disclosures

A deferred tax asset has not been recognised for Ruapehu District Council in relation to unused tax losses of \$397,748.

A deferred tax asset has not been recognised for the Ruapehu District Council group in relation to unused tax losses of \$1,178,505.

RED Trust Key Performance Measures (Note 33)

Measure	Frequency	Target	Actual 2007/08		
			TLA Area	2006/07	2007/08
Number of businesses within the region	Annual	Positive growth	Ruapehu	1,256	2,031
			Wanganui	3,174	4,085
			Rangitikei	1,261	2,269
			Total	5,691	8,385
Number of jobs (employees) within the region	Annual	Positive growth	Ruapehu	4,950	6,300
			Wanganui	16,120	18,220
			Rangitikei	4,270	5,890
			Total	25,340	30,410
Average company size / mean employment number (Estimate only)	Annual	Positive growth	Ruapehu	3.9	3.1
			Wanganui	5.1	4.5
			Rangitikei	3.4	2.6
			Average	4.1	3.4
Employment participation rate	Annual trend	Increase in employment rate	Ruapehu	72.1%	N/A. Measured
			Wanganui	62.6%	in census
			Rangitikei	70.0%	years
			Average	68.2%	
Unemployment rate	Annual trend	Decrease in unemployment rate	Ruapehu	5.0%	N/A. Measured
			Wanganui	6.6%	in census
			Rangitikei	4.1%	years
			Average	5.2%	
Average household income	Census (2006)	Positive growth	Ruapehu	\$39,000	N/A. Measured
			Wanganui	\$36,100	in census
			Rangitikei	\$40,500	years
			Average	\$38,533	



The Ruapehu District ...

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