

Financial Management

The Council must under the Local Government Act, manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently, and in a manner that sustainably promotes the current and future interests of the Community.

This section includes:

- Prospective Statement of Financial Position
- Prospective Statement of Comprehensive Income
- Prospective Statement of Changes in Equity
- Prospective Statement of Cashflows
- Reconciliations from Funding Impact Statements to Statement of Comprehensive Income
- Funding Impact Statement
- Schedule of Reserve Funds
- Prospective Statement of Accounting Policies.

Prospective Financial Statements

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

<i>Annual Plan</i>		<i>Annual Plan</i>	<i>Long Term Plan</i>
<i>2013/14</i>		<i>2014/15</i>	<i>2013 - 2022</i>
<i>(\$,000)</i>		<i>(\$,000)</i>	<i>(\$,000)</i>
ASSETS			
2,882	Cash and cash equivalents	1,435	2,882
11,259	Trade and other receivables	11,792	11,641
763	Inventories	648	787
(1,105)	Other financial assets - current	(764)	(1,105)
<u>13,799</u>	Current assets	<u>13,111</u>	<u>14,205</u>
689,875	Property, plant and equipment assets	694,253	701,562
56	Intangible Assets	273	56
904	Forestry assets	1,370	904
27,768	Investment property	26,088	30,366
36,546	Other financial assets - Investment in CCO's	36,546	36,546
9,340	Other financial assets - Other	15,392	7,758
<u>764,489</u>	Non-current assets	<u>773,923</u>	<u>777,192</u>
<u>778,288</u>	TOTAL ASSETS	<u>787,034</u>	<u>791,397</u>
LIABILITIES			
9,565	Trade and other payables	10,539	9,830
143	Provisions - Current portion	112	147
2,820	Employee benefit liabilities - current portion	2,649	2,910
2,920	Borrowings - Current Portion	2,842	4,192
<u>15,448</u>	Current liabilities	<u>16,142</u>	<u>17,079</u>
696	Employee benefit liabilities - Non current portion	860	743
54,883	Borrowings - non current portion	58,005	58,859
948	Provisions - non current portion	906	948
<u>56,527</u>	Non-current liabilities	<u>59,771</u>	<u>60,550</u>
<u>71,975</u>	TOTAL LIABILITIES	<u>75,913</u>	<u>77,629</u>
EQUITY			
398,115	Retained earnings	404,800	407,152
19,300	Restricted reserves	17,082	17,718
(1,105)	Hedging Reserve	(764)	(1,105)
290,003	Asset revaluation reserves	290,003	290,003
<u>706,313</u>	TOTAL EQUITY	<u>711,121</u>	<u>713,768</u>
<u>778,288</u>	TOTAL LIABILITIES AND EQUITY	<u>787,034</u>	<u>791,397</u>

PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME

Annual Plan		Annual Plan	Long Term Plan
2013/14		2014/15	2013 - 2022
(\$,000)		(\$,000)	2014/15
			(\$,000)
Revenue			
38,838	Rates revenue excluding targeted water supply rates	39,122	42,037
6,193	Rates revenue - targeted water supply rates	6,188	6,634
32,871	Other revenue	34,014	34,437
0	Gain on sale of assets	0	9
835	Investment Property Revaluations - Gain/(loss)	786	933
425	Finance income	401	556
<u>79,162</u>		<u>80,512</u>	<u>84,606</u>
Expenditure			
20,302	Employee benefit expenses	21,344	20,843
19,208	Depreciation and amortisation	19,675	18,536
37,856	Other expenses	37,083	40,141
2,986	Finance expenses	2,773	3,481
<u>80,352</u>		<u>80,744</u>	<u>83,001</u>
(1,190)	Operating surplus/(deficit)	(362)	1,605
Other Comprehensive Income			
70,117	Property Plant and Equipment Revaluations - Gain/(loss)	0	0
0	Less Taxation Expense	0	0
<u>68,927</u>	Total Comprehensive Income after Taxation	<u>(362)</u>	<u>1,605</u>

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

<i>Annual Plan</i>		<i>Annual Plan</i>	<i>Long Term Plan</i>
<i>2013/14</i>		<i>2014/15</i>	<i>2013 - 2022</i>
<i>(\$,000)</i>		<i>(\$,000)</i>	<i>2014/15</i>
			<i>(\$,000)</i>
637,386	Equity Balance at 1 July	711,483	712,163
68,927	Total Comprehensive Income after Taxation	(362)	1,605
68,927	Total Recognised Revenues and Expenses for year	(362)	1,605
706,313	Equity Balance at 30 June	711,121	713,768
Components of Equity			
398,416	Retained earnings at 1 July	402,326	405,866
(1,190)	Net surplus/(deficit) for the year	(362)	1,605
889	Transfers (to)/from restricted reserves	2,836	(319)
398,115	Retained earnings at 30 June	404,800	407,152
20,189	Restricted reserves at 1 July	19,918	17,399
(889)	Transfers (to)/from reserves	(2,836)	319
19,300	Restricted reserves at 30 June	17,082	17,718
(1,105)	Hedging reserves at 1 July	(764)	(1,105)
0	Transfers to/(from) reserves	0	0
(1,105)	Hedging reserves at 30 June	(764)	(1,105)
219,886	Revaluation reserves at 1 July	290,003	290,003
70,117	Transfers to/(from) reserves	0	0
290,003	Revaluation reserves at 30 June	290,003	290,003

PROSPECTIVE STATEMENT OF CASHFLOWS

Annual Plan		Annual Plan	Long Term Plan
2013/14		2014/15	2013 - 2022
(\$,000)		(\$,000)	2014/15
			(\$,000)
	Cash Flows from Operating Activities		
	Cash was provided from		
45,031	Rate Income	45,310	48,671
425	Investment Income	401	556
4,150	Dividend Income	4,200	3,900
28,342	Other Operating Income	29,814	30,537
<u>77,948</u>		<u>79,726</u>	<u>83,664</u>
	Cash was applied to		
57,779	Operating Expenditure	58,427	60,983
2,986	Interest	2,773	3,481
<u>60,765</u>		<u>61,200</u>	<u>64,464</u>
<u>17,183</u>	Net cash Inflow/(Outflow) from Operating Activities	<u>18,526</u>	<u>19,200</u>
	Cash Flows from Investing Activities		
	Cash was provided from		
3,875	Redemption of Investments	5,794	3,635
112	Sale of Fixed Assets	152	139
<u>3,987</u>		<u>5,946</u>	<u>3,774</u>
	Cash was applied to		
22,458	Purchase of Fixed Assets	24,995	22,222
2,986	Investments Made	2,958	3,955
<u>25,444</u>		<u>27,953</u>	<u>26,177</u>
<u>(21,457)</u>	Net cash Inflow/(Outflow) from Investing Activities	<u>(22,007)</u>	<u>(22,403)</u>
	Cash Flows from Financing Activities		
	Cash was provided from		
6,961	Loans raised	6,323	6,967
<u>6,961</u>		<u>6,323</u>	<u>6,967</u>
	Cash was applied to		
2,687	Loan Principal Repaid	2,842	3,764
<u>2,687</u>		<u>2,842</u>	<u>3,764</u>
<u>4,274</u>	Net cash Inflow/(Outflow) from Financing Activities	<u>3,481</u>	<u>3,203</u>
<u>0</u>	Net (decrease) increase in cash and cash equivalents	<u>(0)</u>	<u>0</u>
2,882	Cash and cash equivalents at the beginning of the year	1,435	2,882
<u>2,882</u>	Cash and cash equivalents at the end of the year	<u>1,435</u>	<u>2,882</u>

Financial Statement Reconciliations

RATES REVENUE RECONCILIATION FROM FUNDING IMPACT STATEMENTS TO STATEMENT OF COMPREHENSIVE INCOME

<i>Annual Plan</i>		<i>Annual Plan</i>	<i>Long Term Plan</i>
<i>2013/14</i>		<i>2014/15</i>	<i>2013 - 2022</i>
<i>(\$,000)</i>		<i>(\$,000)</i>	<i>2014/15</i>
			<i>(\$,000)</i>
7,383	Roading	7,382	7,861
4,830	Sewerage	4,945	5,139
3,769	Solid Waste Management	3,824	3,915
2,510	Stormwater	2,560	2,751
6,221	Water Supply	6,214	6,711
24,712	Infrastructural Services	24,926	26,377
167	Animal Control	347	123
499	Building Consents	446	573
238	Civil Defence Emergency Management	240	254
(79)	Compliance	(119)	(91)
906	Environmental Health	907	903
1,165	Resource Management	1,238	1,113
2,896	Development and Regulatory Services	3,059	2,876
268	Community Development	246	248
19	Housing Care Service	19	0
3,655	Libraries and Archives	3,735	3,754
5,553	Parks and Reserves	5,655	6,016
802	Passenger Transport	742	1,079
1,595	Pools	1,679	1,663
366	Public Toilets	344	387
1,011	Theatre Services	953	989
10	Southland Museum & Art Gallery	11	(0)
687	Southland Regional Heritage Committee	705	971
2,383	Provision of Specialised Community Services	2,413	2,458
16,348	Community Services	16,503	17,564

**RATES REVENUE RECONCILIATION FROM FUNDING IMPACT STATEMENTS
TO STATEMENT OF COMPREHENSIVE INCOME - continued**

<i>Annual Plan</i>		<i>Annual Plan</i>	<i>Long Term Plan 2013 - 2022</i>
2013/14		2014/15	2014/15
(\$,000)		(\$,000)	(\$,000)
2,865	Democratic Process	2,983	2,952
1,658	Enterprise (including Destinalional Marketing)	1,669	1,770
(279)	Investment	(197)	(343)
4,244	Corporate Services	4,455	4,378
399	CBD Redevelopment	444	1,121
153	Urban Rejuvenation	277	149
552	Special Projects	721	1,270
(3,172)	Non significant activities	(3,803)	(3,262)
45,581	Total General rates, uniform annual general charges, targeted rates, and rates penalties - per FIS	45,860	49,205
(550)	Less rates penalties (disclosed in Other Revenue in statement of comprehensive income)	(550)	(534)
45,031	Total Rates (excluding rates penalties) - per FIS	45,310	48,671
	Per Statement of Comprehensive Income:		
38,838	Rates revenue excluding targeted water supply rates	39,122	42,037
6,193	Rates revenue - targeted water supply rates	6,188	6,634
45,031	"Rates Revenue" (SOCl "Rates" excludes Rates Penalties)	45,310	48,671

**OPERATING REVENUE RECONCILIATION FROM FUNDING IMPACT STATEMENTS
TO STATEMENT OF COMPREHENSIVE INCOME**

<i>Annual Plan</i>		<i>Annual Plan</i>	<i>Long Term Plan 2013 - 2022</i>
<i>2013/14</i>		<i>2014/15</i>	<i>2014/15</i>
<i>(\$,000)</i>		<i>(\$,000)</i>	<i>(\$,000)</i>
	Total Operating Funding (including internal charges) - per FIS		
10,872	Roading	10,938	11,191
5,364	Sewerage	5,482	5,742
8,157	Solid Waste Management	8,261	8,358
2,516	Stormwater	2,560	2,761
7,404	Water Supply	7,417	8,029
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34,313	Infrastructural Services	34,658	36,081
763	Animal Control	1,123	650
2,728	Building Consents	3,062	2,722
403	Civil Defence Emergency Management	405	431
762	Compliance	679	812
1,143	Environmental Health	1,225	1,121
1,383	Resource Management	1,455	1,360
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7,182	Development and Regulatory Services	7,948	7,095
463	Community Development	251	250
1,751	Housing Care Service	1,789	1,891
4,481	Libraries and Archives	4,531	4,682
14,823	Parks and Reserves	15,293	15,821
2,367	Passenger Transport	2,116	2,315
4,298	Pools	4,522	4,685
366	Public Toilets	344	387
1,834	Theatre Services	1,784	1,668
2,099	Southland Museum & Art Gallery	2,219	2,141
1,054	Southland Regional Heritage Committee	1,022	1,446
2,383	Provision of Specialised Community Services	2,413	2,483
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35,919	Community Services	36,283	37,768

**OPERATING REVENUE RECONCILIATION FROM FUNDING IMPACT STATEMENTS
TO STATEMENT OF COMPREHENSIVE INCOME - continued**

<i>Annual Plan</i>		<i>Annual Plan</i>	<i>Long Term Plan 2013 - 2022</i>
2013/14		2014/15	2014/15
(\$,000)		(\$,000)	(\$,000)
3,224	Democratic Process	3,343	3,280
3,175	Enterprise (including Destination Marketing)	3,259	3,318
1,245	Investment	1,268	1,185
7,643	Corporate Services	7,870	7,782
399	CBD Redevelopment	444	1,121
213	Urban Rejuvenation	277	149
612	Special Projects	721	1,270
14,703	Non significant activities	14,472	14,568
100,372	Total Operating Funding - Per Activity FIS's	101,952	104,566
(25,693)	LESS: Internal charges and overheads recovered - Per FIS	(26,009)	(26,432)
74,680	Total Operating Funding - Per Council FIS	75,944	78,134
	PLUS: Capital Funding - "subsidies and grants for capital expenditure"		
3,648	- Roading activity	3,782	5,539
835	PLUS: Investment Property Revaluation Gain/(Loss)	786	933
79,162	Total Revenue Funding - per statement of comprehensive income	80,512	84,606
	Per Statement of Comprehensive Income:		
38,838	Rates revenue (excluding rates penalties)	39,122	42,037
6,193		6,188	6,634
32,871	Other revenue (includes Rates Penalties)	34,014	34,437
0	Gain on sale of assets	0	9
835	Investment Property Revaluation Gain/(Loss)	786	933
425	Finance Income	401	556
79,162	Total Revenue	80,512	84,606

**OPERATING EXPENDITURE RECONCILIATION FROM FUNDING IMPACT STATEMENTS
TO STATEMENT OF COMPREHENSIVE INCOME**

<i>Annual Plan</i>		<i>Annual Plan</i>	<i>Long Term Plan 2013 - 2022</i>
<i>2013/14</i>		<i>2014/15</i>	<i>2014/15</i>
<i>(\$,000)</i>		<i>(\$,000)</i>	<i>(\$,000)</i>
	Total Applications of Operating Funding - per FIS		
6,443	Roading	6,499	6,526
3,208	Sewerage	3,136	3,665
8,182	Solid Waste Management	8,299	8,587
1,197	Stormwater	1,114	1,348
4,696	Water Supply	4,836	6,012
<u>23,727</u>	Infrastructural Services	<u>23,883</u>	<u>26,138</u>
696	Animal Control	1,080	633
3,046	Building Consents	3,000	2,621
403	Civil Defence Emergency Management	405	431
727	Compliance	656	786
1,116	Environmental Health	1,205	1,104
1,364	Resource Management	1,424	1,344
<u>7,352</u>	Development and Regulatory Services	<u>7,770</u>	<u>6,919</u>
570	Community Development	248	247
1,592	Housing Care Service	1,618	1,580
3,864	Libraries and Archives	3,902	3,979
13,868	Parks and Reserves	14,104	14,424
2,203	Passenger Transport	1,972	2,235
4,112	Pools	4,180	4,428
317	Public Toilets	304	327
1,450	Theatre Services	1,332	1,497
2,092	Southland Museum & Art Gallery	2,227	2,132
1,054	Southland Regional Heritage Committee	1,022	1,265
2,683	Provision of Specialised Community Services	2,375	4,037
<u>33,805</u>	Community Services	<u>33,285</u>	<u>36,151</u>

**OPERATING EXPENDITURE RECONCILIATION FROM FUNDING IMPACT STATEMENTS
TO STATEMENT OF COMPREHENSIVE INCOME - continued**

<i>Annual Plan</i>		<i>Annual Plan</i>	<i>Long Term Plan</i>
<i>2013/14</i>		<i>2014/15</i>	<i>2013 - 2022</i>
<i>(\$,000)</i>		<i>(\$,000)</i>	<i>2014/15</i>
			<i>(\$,000)</i>
3,175	Democratic Process	3,295	3,391
3,175	Enterprise (including Destinalional Marketing)	3,259	3,318
1,344	Investment	1,527	1,480
7,694	Corporate Services	8,081	8,188
191	CBD Redevelopment	236	273
183	Urban Rejuvenation	248	149
375	Special Projects	484	422
13,885	Non significant activities	13,705	13,078
86,837	Total Applications of Operating Funding - Per Activity FIS's	87,208	90,897
(25,693)	LESS: Internal charges and overheads recovered - Per FIS's	(26,009)	(26,432)
61,144	Total Applications of Operating Funding - Per Council FIS	61,200	64,466
	Per Statement of Comprehensive Income:		
20,302	Employee benefit expenses	21,344	20,843
37,856	Other expenses	37,083	40,141
2,986	Finance expenses	2,773	3,481
61,144		61,200	64,465
19,208	Plus Depreciation expenses (not in FIS)	19,675	18,536
80,352	Total operating expenditure - per statement of comprehensive income	80,874	83,001

Funding Impact Statement

<i>Annual Plan</i>		<i>Annual Plan</i>	<i>Long Term Plan</i>
<i>2013/14</i>		<i>2014/15</i>	<i>2013 - 2022</i>
<i>\$'000</i>		<i>\$'000</i>	<i>\$'000</i>
	<i>Sources of operational funding</i>		
7,247	General rates, uniform annual general charges, rates penalties	7,075	7,820
38,334	Targeted rates (other than targeted rate for water supply)	38,786	41,385
3,683	Subsidies and grants for operating purposes	3,476	3,325
11,774	Fees, charges and targeted rates for water supply	12,810	13,336
4,575	Interest and dividends from investments	4,601	4,456
9,065	Local authorities fuel tax, fines, infringement fees, and other receipts	9,196	7,813
74,679	Total operating funding	75,944	78,134
	<i>Applications of operational funding</i>		
58,158	Payments to staff and suppliers	58,427	60,984
2,986	Finance costs	2,773	3,481
	Other operating funding applications		
61,144	Total applications of operational funding	61,200	64,465
13,535	Surplus (deficit) of operational funding	14,774	13,669
	<i>Sources of capital funding</i>		
3,648	Subsidies and grants for capital expenditure	3,782	5,539
	Development and financial contributions		
4,274	Increase (decrease) in debt	3,481	3,203
112	Gross proceeds from sale of assets	152	130
	Lump sum contributions		
8,034	Total sources of capital funding	7,415	8,872
	<i>Application of capital funding</i>		
	Capital expenditure		
0	- to meet additional demand	271	44
4,472	- to improve the level of service	7,806	2,361
17,986	- to replace existing assets	16,918	19,817
(889)	Increase (decrease) in reserves	(2,836)	319
	Increase (decrease) in investments		
21,569	Total application of capital funding	22,159	22,541
(13,535)	Surplus (deficit) of capital funding	(14,774)	(13,669)
(0)	Funding balance	0	0
19,208	Depreciation expense (not included in the above FIS)	19,675	18,536

Schedule of Reserve Funds

RESERVE FUNDS

Reserves are held to ensure that funds received for a particular purpose and any surplus created is managed in accordance with the reason for which the reserve was established. Surpluses held in reserves are credited with interest. The Council holds \$17,082,000 reserves, with \$14,207,000 being restricted reserves. Restricted reserves are reserves that have rules set by legal obligation that restrict the use that the Council may put the funds towards. The

remaining Council created reserves are discretionary reserves which the Council has established for the fair and transparent use of monies.

Below is a list of current reserves outlining the purpose for holding each reserve and the Council activity to which each reserve relates, together with summary financial information across the year of the Annual Plan.

RESTRICTED RESERVES <i>The reserves can only be used for the purpose designated.</i>				
	<i>Opening Balance 2014/15 (\$,000)</i>	<i>Transfers In 2014/15 (\$,000)</i>	<i>Transfers Out 2014/15 (\$,000)</i>	<i>Closing Balance 2014/15 (\$,000)</i>
Category A (Legal Restriction) The restriction is designated from a statute or legal document. These reserves restrictions include the capital and interest or income generated. This reserve is related to the Parks activity and is to maintain the Feldwick gates at Queens Park.	112	0	0	112
Category B (Capital only restriction) These reserves are invested in property that provides a financial return to ratepayers (Investment Property, Library and Infrastructure activities).	5,913	76	-428	5,561
Category C (specific purpose) These reserves are to maintain and provide for improvements to separately identifiable areas. (Parks Crematorium and Cemetery, Community Centres, Waste and Infrastructure activities).	8,616	141	-225	8,533

NON RESTRICTED RESERVES				
<i>The reserves can be used for purposes other than the purpose currently specified.</i>				
	<i>Opening Balance 2014/15 (\$,000)</i>	<i>Transfers In 2014/15 (\$,000)</i>	<i>Transfers Out 2014/15 (\$,000)</i>	<i>Closing Balance 2014/15 (\$,000)</i>
Loss of Service Potential To set aside funds for the replacement of assets in the future. (All activities)	4,140	2,207	-4,447	1,899
Development To maintain and provide assets in identifiable areas. (Parks, Roading, and Water activities)	2,047	9	-251	1,805
Property To provide for the purchase of properties. (Investment Property, and Infrastructure activities)	1,022	13	0	1,035
Amenities To provide funding for the ongoing operations of amenity areas. (Library, Museum, Pools, and Parks activities)	402	-45	-15	343
Financial To provide ongoing funding in a consistent manner for Council operations. (All activities)	5,253	557	-428	5,381
Community Board To provide funding for Community Board areas for their activities and development of assets. (Democratic Process activity)	83	0	0	83
Economic Development To develop economic growth in the city which will be funded by future activity. (Investment Property activity)	-7,699	0	0	-7,669

Statement of Accounting Policies

REPORTING ENTITY

Invercargill City Council ("the Council") is a territorial local authority governed by the Local Government Act 2002.

The Council has not presented group prospective financial statements because the Council believes that the parent prospective financial statements are more relevant to the users. The main purpose of prospective financial statements in the Annual Plan is to provide users with information about core services that the Council intends to provide ratepayers, the expected cost of those services and, as a consequence, how much the Invercargill City 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 Invercargill City Council obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements presented.

The primary objective of the Council is to provide goods or services for the Community or social benefit rather than making a financial return. Accordingly, the Council is classified as a Tier 1 Public Sector Public Benefit Entity (PBE).

BASIS OF PREPARATION

The financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 95 and Part 2 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. These prospective financial statements are the first set of prospective financial statements prepared under Tier 1 PBE International Public Sector Accounting Standards (IPSAS). The financial statements use opening

balances from the period ending 30 June 2013, estimates have been restated accordingly if required.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment property, biological assets and financial instruments (including derivative instruments).

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of comprehensive income.

The Council adopted the prospective financial statements on 17 June 2014.

The Council and Management of the Invercargill City Council accept responsibility for the preparation of their prospective financial statements, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

REVENUE

Revenue is measured at the fair value of consideration received.

Rates revenue

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

Other revenue

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

Traffic and parking infringements are recognised when tickets are issued.

The Council receives government grants from Land Transport New Zealand, which subsidises part of the Councils costs in maintaining the local roading infrastructure.

The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

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

Sales of goods are recognised when a product is sold to the customer. Sales are usually in cash or by credit card.

The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

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

Interest income is recognised using the effective interest method.

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

Contributions from customers in relation to the construction of new lines for the network are accounted for as income in the year which they have been received.

Government grants

New Zealand Units allocated by the Crown represent non-monetary government grants and are initially recognised at nil value. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These are included in the Statement of Comprehensive Income.

CONSTRUCTION CONTRACTS

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to balance date as a percentage of total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the group's construction activities in general.

An expected loss on construction contracts is recognised immediately as an expense in the Statement of Comprehensive Income.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under other liabilities.

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 the 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.

INCOME TAX

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date. Current tax and deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

LEASES

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the Council recognises finance leases as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

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.

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 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 FIFO method.

The write down from cost to current replacement cost or net realisable value is recognised in the Statement of Comprehensive Income.

FINANCIAL ASSETS

The Council classifies its financial assets into the following three categories: available for sale investments, loans and receivables and financial assets at fair value through surplus or deficit. 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.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, net asset backing, are used to determine fair value for the remaining financial instruments.

The three categories of financial assets are:

- **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 amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Income. Loans and receivables are classified as "trade and other receivables" in the statement of financial position. Investments in this category include fixed term deposits and loans to associates.

- **Financial assets at fair value through surplus or deficit**

This category has two sub-categories: financial assets held for trading, and those designated at fair value through surplus or deficit 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 remeasurement are recognised in the statement of comprehensive income.

- **Available for sale investments**

Available for sale investments are those that are designated as being held to maturity or are

not classified in any of the other categories above. This category encompasses investments that the Council intends to hold long-term but which may be realised before maturity. 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 Comprehensive Income. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in Statement of Comprehensive Income even though the asset has not been derecognised. Investments in this category include shares in Local Government Insurance Corporation.

Shareholdings that Invercargill City Council holds for strategic purposes

Invercargill City Council's investments in its subsidiaries and associate companies are not included in this category as they are held at cost (as allowed by PBE IPSAS 6 - Consolidated and Separate Financial Statements and PBE IPSAS 7 - Investments in Associates) whereas this category is to be measured at fair value.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Impairment of financial assets

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

FINANCIAL INSTRUMENTS

▪ ***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 the Council at nil, or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the Statement of Comprehensive Income as a grant.

A provision for impairment of receivables is established when there is objective evidence that the 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.

▪ ***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.

Bank overdrafts are shown separately in current liabilities in the statement of financial position.

▪ ***Borrowings***

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

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

- **Trade and other payables**

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost using the effective interest method.

Accounting for derivative financial instruments and hedging activities

The Council uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, the Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date. However, where derivatives qualify for hedge accounting, recognition for any resultant gain or loss depends on the nature of the hedging relationship.

- **Cash flow hedge**

Changes in the fair value of the derivatives hedging instruments designated as a cashflow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in surplus or deficit.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity will be reclassified into surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects surplus or deficit.

However, if Invercargill City Council expects that all or a portion of a loss recognised directly in equity will not be recovered in one or more future periods, it will reclassify into surplus or deficit the amount that is not expected to be recovered.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial ability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the associated gains and losses that were recognised directly in equity will be included in the initial cost or carrying amount of the asset or liability.

For cash flow hedges other than those covered above, amounts that had been recognised directly in equity will be recognised in surplus or deficit in the same period or periods during which the hedged forecast transaction affects surplus or deficit (for example, when a forecast sale occurs).

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. The amount recognised in equity is transferred to surplus or deficit in the same period that the hedged item affects the surplus or deficit.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of:

- Operational assets - These include land, buildings, library books, plant and equipment, and motor vehicles.
- Restricted assets - Restricted assets are parks and reserves owned by the Council which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
- Infrastructure assets - Infrastructure assets are the fixed utility systems owned by the Council. Each asset class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations.
- Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

ADDITIONS

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

DISPOSALS

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset.

Gains and losses on disposals are included in the statement of comprehensive income. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

SUBSEQUENT COSTS

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

DEPRECIATION

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

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

Buildings	Buildings
▪ Structures	3% SL
▪ Roof	2.5% SL
▪ Electrical	2.22% SL
▪ Plumbing	2.22% SL
▪ Internal Fitout	2.86% SL
▪ Plant	3.33% SL
Furniture and Fittings	
▪ Furniture and Fittings	6.7% - 50% DV
Office Equipment	
▪ Office Equipment	14.4% - 60% SL/DV
Infrastructural Assets	
Drainage	2.6% - 6.2% SL
Bridges	1% - 2% SL
Traffic Services	2.6% - 12.6% SL
Footpaths and Crossings	6.6% - 12% SL
Features and Structures	4.6% - 5.8% SL
Roads	
▪ Formation	0%
▪ Shoulder and Pavements	1.25% - 2.65% SL
▪ Top Surface	15.42% SL
Drainage and Stormwater	
▪ System	1% - 2% SL
▪ Plant	1% - 2% SL
▪ Buildings	1% - 2% SL
Water	
▪ System	2.8% - 3.8% SL
▪ Plant	3.4% SL

Plant	
Plant	5% - 50% SL/DV
Tools	
Tools	10% SL where applicable
Motor Vehicles	
Motor Vehicles	6.7% - 31.2% SL
Library Collections	
Library Collections	6.67% - 50% SL
<i>The non fiction collection is not depreciated.</i>	

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

REVALUATION

Those asset classes that are revalued are valued on a valuation cycle as described below on the basis described below. All other asset classes are carried at depreciated historical cost.

The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

VALUATION

All assets are valued at historic cost less accumulated depreciation and impairment costs, except the following:

- Operational land and buildings have been valued at fair value. Valuations are completed three yearly.
- Investment land and buildings have been valued annually at net realisable value. Any adjustment to the values has been accounted for as an increase (decrease) in the Statement of Comprehensive income.

- Restricted land (excluding forestry land) and buildings have been valued at net current value by Quotable Value New Zealand (Registered Valuers) as at 30 June 1992.
- Library collections are valued at depreciated replacement cost. Valuations are completed three yearly.

▪ **Infrastructural Assets**

Land under Roads

Land under roads has been valued at deemed cost at transition to NZIFRS. Deemed cost is the fair value being the current valuation at 30 June 2005.

Roads and Bridges

Roads and Bridges are valued at depreciated replacement cost, being gross replacement cost less accumulated depreciation to date, based on the Current Age Profile compared to Useful Life. Valuations are completed three yearly.

Stormwater, Wastewater and Water Systems

Assets are valued at depreciated replacement cost, being gross replacement cost less accumulated depreciation to date, based on the Current Age Profile compared to Useful Life. Valuations are completed three yearly.

- **Forestry Land**

Forestry Land is revalued with sufficient regularity to ensure carrying value does not differ materially from that which would be determined as fair value. It is anticipated that the Forestry Land revaluation will occur with the revaluation of other Property Plant and Equipment assets that are revalued every three years, unless circumstances require otherwise. Land has been revalued based on its best use. In determining the highest and best use consideration is given as to whether the land has been registered under the New Zealand Emissions Trading Scheme and hence whether there are restrictions on the land use. New Zealand units received from the government are recognised at cost in the financial statements, which is nil value.

Accounting for revaluations

The Council accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of comprehensive income.

Any subsequent increase on revaluation that offsets a previous decrease in value recognised in the Statement of Comprehensive Income will be recognised first in the Statement of Comprehensive Income up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

INTANGIBLE ASSETS

Software

Other intangible assets that are acquired by the Group, which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful economic lives of the intangible assets. The amortisation rates for the current period are as follows:

Software 40-48% Straight Line/Diminishing Value

FORESTRY ASSETS

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the statement of comprehensive income.

The costs to maintain the forestry assets are included in the statement of comprehensive income.

INVESTMENT PROPERTY

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

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, the Council measures all investment property at fair value 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 comprehensive income.

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.

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

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

For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of Comprehensive Income.

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 Comprehensive Income, a reversal of the impairment loss is also recognised in the Statement of Comprehensive Income.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

EMPLOYEE BENEFITS

SHORT-TERM BENEFITS

Employee benefits that the 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 leave entitlements expected to be settled within 12 months, and sick leave.

LONG-TERM BENEFITS

Long service leave and retirement leave

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

Superannuation schemes

Defined contribution schemes:

- Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Income as incurred.

Defined benefit schemes:

- The Council belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

PROVISIONS

The Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the 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.

LANDFILL POST CLOSURE COSTS

The Council has a legal obligation under the Resource Consent to provide 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 new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post closure. The discount rate applied is 7% which represents the risk free discount rate.

EQUITY

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

The components of equity are:

- Retained earnings
- Council reserves (includes sinking funds, special reserves and endowment reserves)
- Fair value and hedging reserves
- Asset revaluation reserves

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 net 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 to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

COST ALLOCATION

The Council has derived the cost of service for each significant activity of the Council using the cost allocation system outlined below.

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

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Properties

Invercargill City 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. These properties are held for service delivery objectives as part of Invercargill City Council's social housing policy. These properties are accounted for as property, plant and equipment.

Infrastructural Assets

There are a number of assumptions and estimates used when performing DRC 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. This 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; and estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth.
- If useful lives do not reflect the actual consumption of the benefits of the asset, then Invercargill City Council could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive income.

To minimise this risk, Invercargill City Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Invercargill City Council's asset management planning activities, which gives Invercargill City Council further assurance over its useful life estimates.

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

PROSPECTIVE FINANCIAL INFORMATION

The prospective financial information contained within this document has been prepared in compliance with Tier 1 PBE International Public Sector Accounting Standards (IPSAS) including PBE IPSAS 42 - Prospective Financial Statements. The purpose for which it has been prepared is to enable ratepayers, residents and any other interested parties to obtain information about the expected future financial performance, position and cash flow of the Invercargill City Council. The actual results achieved for any particular financial year are also likely to vary from the information presented and may vary materially depending on the circumstances that arise during the period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

CHANGES IN ACCOUNTING POLICIES

As a result of applying the new Tier 1 PBE Accounting Standards, there have been no significant changes to accounting policies in the current year.

Rating

This Rating Policy should be read in conjunction with the Revenue and Financing Policy and the funding principles included in this Plan. Figures in this Policy are GST inclusive.

The following rates will be set by Council for the financial year commencing 1 July 2014 and ending 30 June 2015.

The following are the details for each of the rates to be set for each financial year. All rates set by way of a rate in the dollar are based on capital value. All rates are charged on the basis of Rating Unit, except for the Residential Multi Unit category where it is stated in the policy following as charged on the basis of separately used or inhabited part of the rating unit (SUIP).

SUIP is defined as any part of a rating unit separately occupied by the owner or any other person who has the right to occupy that part by virtue of a tenancy, lease, licence or other agreement.

DIFFERENTIALS APPLIED IN SETTING GENERAL AND TARGETED RATES

In order to maintain an equitable rating impact and preserve the relationship which exists between residential, rural, commercial, utilities and large industrial rating units, differentials have been applied to the residential rating unit base rate, as follows:

<i>Differentials applied in setting Rates</i>		%
Residential	Base Rate	100.00
Residential - Multi Units		
• For the first unit	Base Rate	100.00
• For each additional unit	Base Rate	- 25.00
Commercial	Base Rate	100.00
Industrial	Base Rate	100.00
Rural-Farming	Base Rate	- 20.00

GENERAL RATE

The general rate is to fund the activities of Environmental Health, Building Control, Emergency Services, Grants, Total Mobility, Civic Theatre, Democratic Process, Destination Marketing, Enterprise and 15% of both street lighting and

footpaths. It is based on the capital value of that rating unit. This is the base rate.

Differentials will be applied to the general rate as outlined above. No uniform annual general charge is applied.

	2013/14 \$	2014/15 \$
General Base Rate	0.00121101	0.00117001

UNIFORM ANNUAL CHARGE AND TARGETED RATE

A uniform annual charge on all ratepayers will be levied for both the Parks and Reserves Activity and the Pools Activity. The remaining revenue required from rates will be gathered from a targeted rate on residential and lifestyle properties only.

- **Parks and Reserves Rate** is to fund provision of Parks and Reserves in the District.
- **Pools Rate** is to fund provision of Aquatic Facilities in the District.

	2013/14 \$	2014/15 \$
Parks and Reserves Uniform Annual Charge	57.50	57.40
Parks and Reserves Base Rate	0.00094351	0.00096947
Pools Uniform Annual Charge	28.75	28.70
Pools Base Rate	0.00023054	0.00024505

TARGETED RATES

▪ **Targeted Rates Payable on All Rating Units**

The following rates are payable on all rateable land by applying a rate in the dollar based on the capital value of the rating unit and are subject to the differentials as outlined.

- **Resource Management Rate** is to fund the function of Resource Management.
- **Roading Rate** is to fund the provision of Roothing Services.
- **Cemeteries Rate** is to fund the operation of Council's Cemeteries.

	2013/14 \$	2014/15 \$
Resource Management Base Rate	0.00020859	0.00021924
Roothing Base Rate	0.00082705	0.00082628
Cemeteries Base Rate	0.00005210	0.00003845

The following rates are set on all rating units by applying a fixed charge with differentials applied as outlined. Residential - Multi Units are charged on the basis of SUIP.

- **Libraries Rate** is to fund provision of Library Services in the District.
- **Regional Heritage Rate** is to fund Council's contribution to the operation of Southland museums and heritage.
- **Regional Facilities Rate** is to fund Council's contribution to the operation of Southland regional facilities.

	2013/14 \$	2014/15 \$
Libraries Base Rate	169.52	172.71
Regional Heritage Base Rate	31.98	32.91
Regional Facilities Base Rate	-	-

The following rate applies to those rating units which have a land use as shown in the Rating Information Database of commercial only. This differential has the objective of applying a nil rate to all other categories of land use.

The rate is detailed below:

- **Business Development Rate** is to fund all costs associated with the redevelopment of commercial areas.

	2013/14 \$	2014/15 \$
Business Development Base Rate	0.00088185	0.00083423

The following rate applies to those rating units which have a land use as shown in the Rating Information Database of commercial or industrial only. This differential has the objective of applying a nil rate to all other categories of land use.

The rate is detailed below:

- **Economic Development Rate** is to fund economic, sporting and cultural development initiatives.
- **City Centre Rejuvenation Rate** (Map H).

	2013/14 \$	2014/15 \$
Economic Development Base Rate	0.00030004	0.00029571
City Centre Rejuvenation Base Rate	0.00020822	0.00020750

▪ **Targeted Rates Payable by Groups of Ratepayers**

Payable by Ratepayers Within a Specified Location

The following rates are payable on all rateable land within a specified location. A general description of the area is given in each case. Maps defining the areas are attached as Maps A - G and I.

1. **Rateable Land Within the Invercargill City and Bluff Urban Areas** (Map A). These targeted rates will be set for each rating unit by applying a rate

in the dollar based on the capital value of the rating unit. Differentials will be applied to these targeted rates as outlined earlier. 85% of the rates for footpaths and street lighting will be targeted and 15% general rate.

- **Footpaths Rate** to fund provision of footpaths in the Invercargill City and Bluff areas.
- **Street Lighting Rate** to fund provision of street lighting in Invercargill City and Bluff.

	2013/14 \$	2014/15 \$
Footpaths Base Rate	0.00036133	0.00036207
Street Lighting Base Rate	0.00010019	0.00008549

2. **Rateable Land within the Invercargill City Area Only** (Map B). This targeted rate will be set for each rating unit by applying a rate in the dollar based on the capital value of the rating unit.

Differentials will be applied to these targeted rates as outlined.

- **Transport Rate** to fund the cost of subsidised passenger transport in the Invercargill City area.

	2013/14 \$	2014/15 \$
Transport Base Rate	0.00016371	0.00013990

3. **Rateable Land Within the Makarewa Drainage Area** (Map C). The Makarewa targeted drainage rate will be set for each rating unit on a fixed charge per rating unit basis.

- **Drainage - Makarewa Rate** to fund costs in the Makarewa Drainage area.

	2013/14 \$	2014/15 \$
Drainage Makarewa Base Rate	77.95	81.92

4. **Rateable Land Within the Myross Bush Drainage Area** (Map D). The Myross Bush targeted drainage rate will be set for each rating unit on a fixed charge per rating unit basis.

- **Drainage - Myross Bush Rate** to fund costs in the Myross Bush Drainage area.

	2013/14 \$	2014/15 \$
Drainage Myross Bush Base Rate	73.42	78.06

5. **Rateable Land Within the Specified Locations for Community Centres** (Map E). These targeted rates will be set for each rating unit on a fixed charge per rating unit basis to fund the cost of operating a Community Centre in each location.

- **Community Centre - Makarewa Rate**
- **Community Centre - Myross Bush Rate**
- **Community Centre - Awarua Rate**
- **Community Centre - Otatara Rate**
- **Town Hall - Bluff Rate**

	2013/14 \$	2014/15 \$
Community Centre - Makarewa Rate	12.00	12.00
Community Centre - Myross Bush Rate	30.00	30.00
Community Centre - Awarua Rate	30.00	30.00
Community Centre - Otatara Rate	15.00	15.00
Town Hall - Bluff Rate	7.59	8.35

6. **Rateable Land Within the Bluff Ward** (Map F). This targeted rate will be set for all rateable land by applying a rate in the dollar based on the capital value of the rating unit. Differentials will be applied to this rate as outlined.

- **Community Board - Bluff Rate** to fund costs within the Bluff Community Board.

	2013/14 \$	2014/15 \$
Bluff Community Board Base Rate	0.00036037	0.00034522

1. *Land Within the Redmayne Road Drainage District*
(Map G).

- *Drainage Rate - Redmayne Road* to fund drainage operational costs.

	2013/14 \$	2014/15 \$
Drainage Redmayne Road Board Base Rate	98.47	100.22

2. Land Within the Inverurie Rating Area (Map I).

- *Inverurie Maintenance Rate*. Requested by developer of Inverurie Subdivision.

	2013/14 \$	2014/15 \$
Inverurie Maintenance Rate	-	-

▪ **Targeted Rates Payable Where a Service is Provided or Available for Provision by Council**

The following rates are payable on all rateable land where the service is provided or available to be provided. In the provision of water, sewerage and refuse disposal services these rates also apply to those non-rateable rating units as specified in Section 9 and Parts 1 and 2 of Schedule 1, Local Government (Rating) Act 2002. There are two categories for each rate - Residential and Non-Residential.

Non-residential means rateable land included in the Rating Information Database as rating units being used for Commercial, Industrial or Other purposes. Rest Homes, Hospitals, Schools, Kindergartens and Playcentres, Halls, Services and Sports facilities are included in the Non-residential category. Residential - Multi Units are charged on the basis of SUIP.

	2013/14 \$	2014/15 \$
Water Base Rate	306.07	304.37
Sewerage Base Rate	201.11	204.69
Drainage Base Rate	105.70	107.28

The following differentials will be applied to these targeted rates:

- **Water** - those rating units designated residential will meet 84% of the total water rate. Non-residential rating units will meet 16%.
- **Sewerage** - those rating units designated residential will meet 75% of the total sewerage rate. Non-residential rating units will meet 25%.
- **Drainage** - those rating units designated residential will meet 75% of the total drainage rate. Non-residential rating units will meet 25%.
- **All rateable land designated residential** will be set a fixed charge for each of the water, sewerage and drainage rates.
- **Vacant rating units** which are able to be connected to a water, sewerage or drainage system but have not been connected will be charged half the amount of the above charge.
- **All rateable land designated as non-residential** will be set a fixed charge for each of the water, sewerage and drainage rates based on a range of capital values as follows:

		%
Less Than \$50,000	= Base Fixed Charge	-20
From \$50,001 - \$100,000	= Base Fixed Charge	100
\$100,001 - \$200,000	= Base Fixed Charge	+ 20
\$200,001 - \$400,000	= Base Fixed Charge	+ 40
\$400,001 - \$1,000,000	= Base Fixed Charge	+ 100
\$1,000,001 - \$3,000,000	= Base Fixed Charge	+ 200
\$3,000,001 - \$5,000,000	= Base Fixed Charge	+ 300
\$5,000,001 +	= Base Fixed Charge	+ 400

Refuse Collection Rate is to fund the provision of refuse removal and kerbside recycling services in the serviced area. This targeted rate will be set by applying a fixed charge for each rate on all rateable land within the serviced area which receives or is able to receive the service. Residential - Multi Units are charged on the basis of SUIP.

The **General Waste Management Rate** is 17% of the total solid waste service cost and is the education and administration service provided to all ratepayers. This rate is borne by all ratepayers. Differentials will be applied to these targeted rates as outlined on page 193. Each additional wheelie bin provided for refuse or recycling costs \$150 per annum.

	2013/14 \$	2014/15 \$
Refuse Collection Base Rate	169.22	168.73
Additional Wheelie Bin	150.00	150.00
General Waste Management Rate	30.56	32.39

ADDITIONAL RATING POLICIES

In addition to the Policy and method of collecting rates as outlined above the following additional policies will also be applied.

Rating of Utilities

Utilities as specified in the Rating Information Database will be charged only the following rates:

- *General Rate*
- *Resource Management Rate*
- *Roading Rate*
- *Parks and Reserves Rate*
- *Cemeteries Rate*
- *Libraries Rate*
- *Pools Rate*
- *Regional Heritage Rate*

All utilities are rated as industrial properties at their full capital value.

Rating of Non-Rateable Land

Rating units which are deemed to be non-rateable under the Local Government (Rating) Act 2002 will be rateable for water, sewerage and refuse collection where these services are provided (Section 9 of that Act).

These rating units will be assessed in the same manner as other ratepayers and according to their residential or non-residential status. Churches, community groups, residential homes and pensioner housing will be classified as residential for this purpose. All other non-rateable rating units will be classified as non-residential.

Water Charge

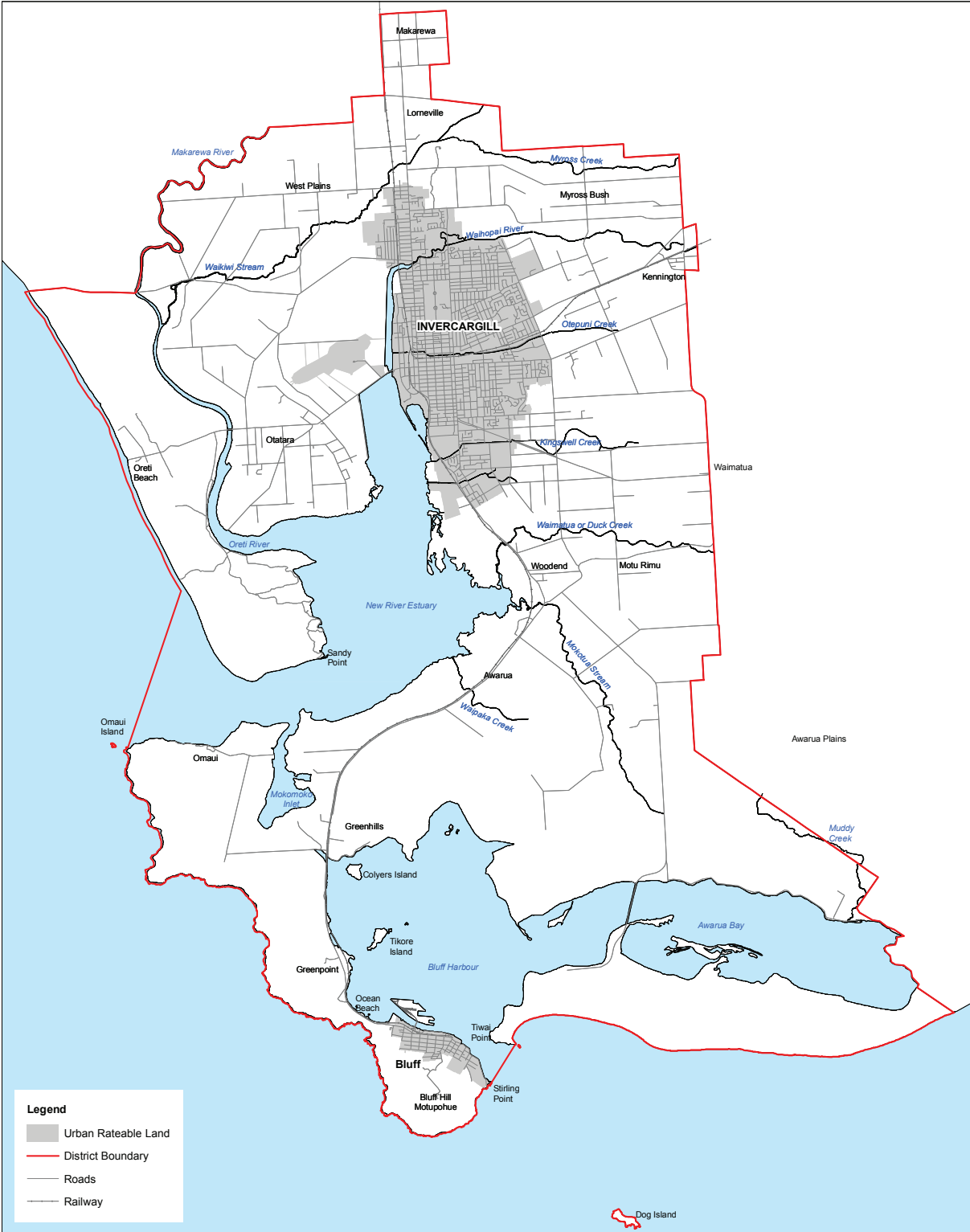
Water user charges based on metered consumption may also be made for water consumed by rating units, other than private residential rating units. This targeted rate will be charged by invoice, on a three monthly basis.

Industrial

The maximum value on which an industrial property is rated is \$19,000,000.

TOTAL RATES TO BE COLLECTED

Total increase in rates	2013/14 \$ GST inclusive	2014/15 \$ GST inclusive
General Rate	7,680,236	7,503,388
Resource Management	1,322,908	1,405,997
Roading	5,245,173	5,299,016
Parks and Reserves	5,983,035	6,176,220
Cemeteries	330,449	246,582
Libraries	4,167,164	4,257,286
Pools	1,815,029	1,902,512
Regional Heritage	786,180	811,124
Footpaths	1,706,198	1,728,165
Street Lighting	470,463	405,794
Transport	761,053	657,435
Sewerage	5,521,185	5,648,693
Drainage	2,861,492	2,918,323
Drainage - Makarewa	12,395	13,025
Drainage - Myross Bush	9,105	9,680
Drainage - Redmayne Road	3,151	3,307
Refuse Collection	3,584,847	3,600,069
General Waste Management	732,246	778,930
Water	7,121,738	7,116,073
Economic Development	345,000	345,000
Business Development	1,100,810	1,055,875
City Centre Rejuvenation	92,000	92,000
Community Centres		
• Awarua	3,300	3,480
• Makarewa	2,040	2,076
• Myross Bush	15,420	15,600
• Otatara	18,900	19,020
Bluff Town Hall	9,799	10,772
Bluff Community Board	82,294	81,414
Net Rates	51,785,639	52,106,856



Legend

- Urban Rateable Land
- District Boundary
- Roads
- Railway



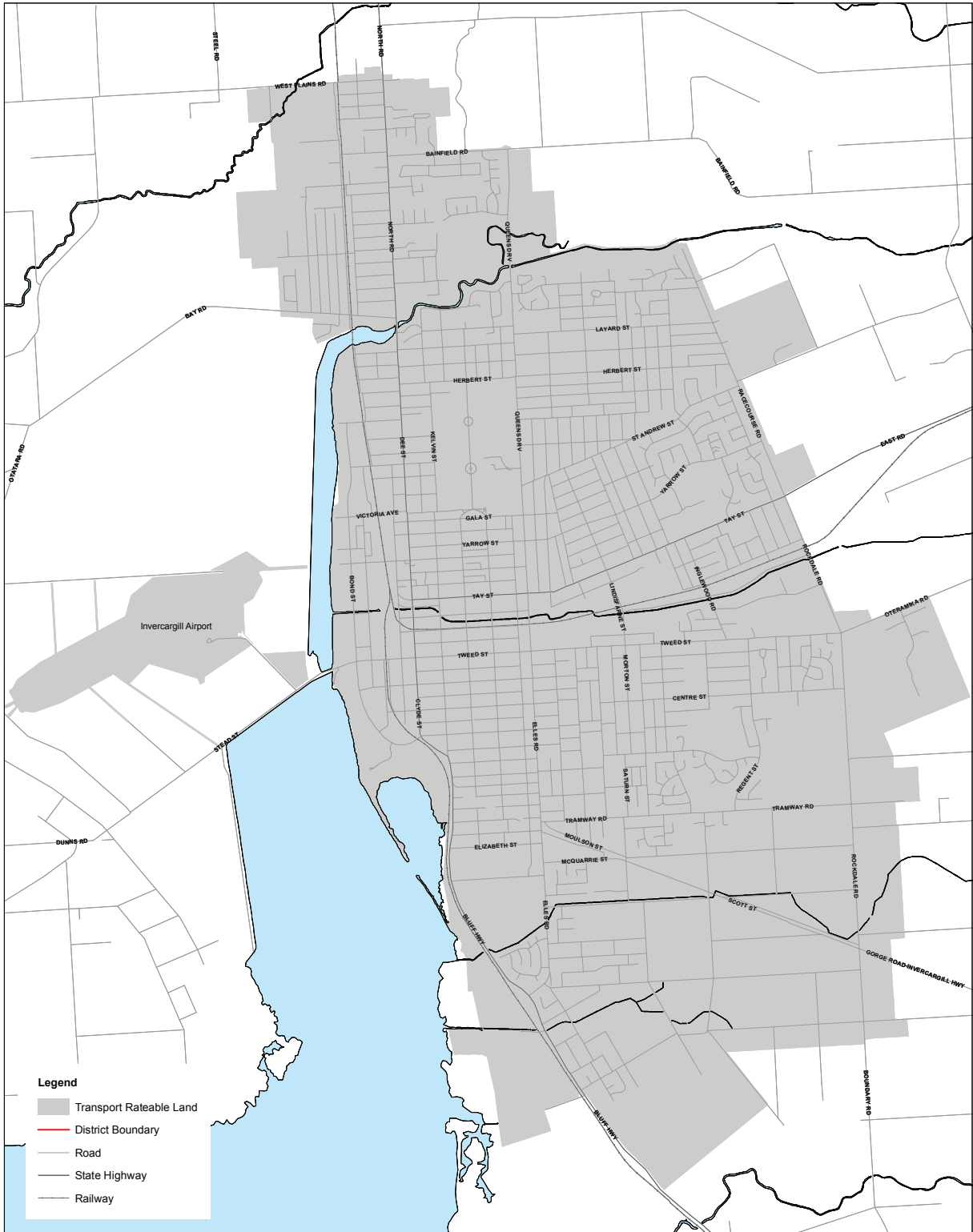
Map A

Urban Rateable Land - Invercargill and Bluff

Current as at: 1/3/2009

N

Information shown is the currently assumed knowledge as at Date Printed. If information is vital, confirm with the Authoritative Owner, E & O E.



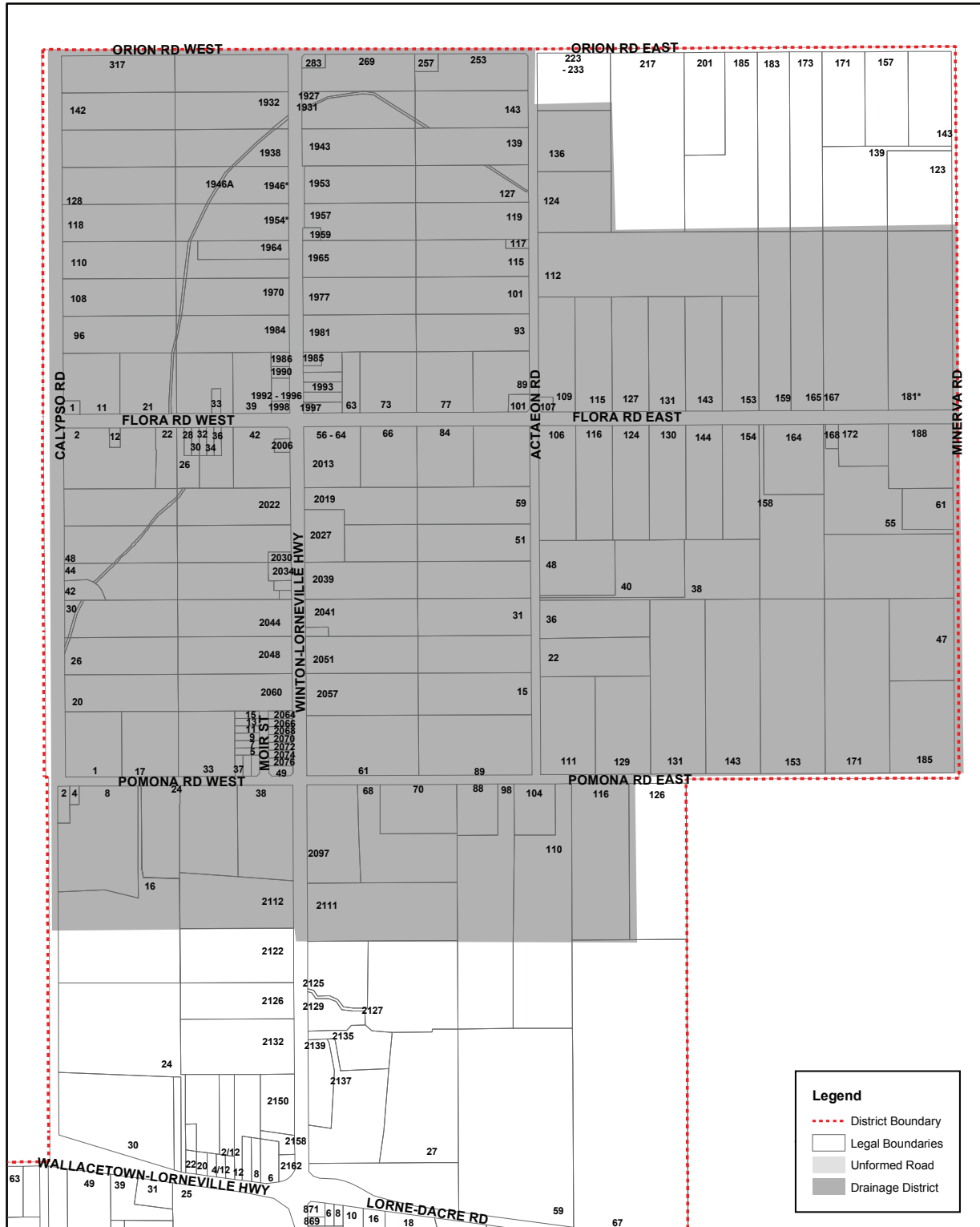
- Legend**
- Transport Rateable Land
 - District Boundary
 - Road
 - State Highway
 - Railway



Map B
Transport Rateable Land
 Current as at : 1/3/2009

N

Information shown is the currently assumed knowledge as at Date Printed. If information is vital, confirm with the Authoritative Owner. E & O E

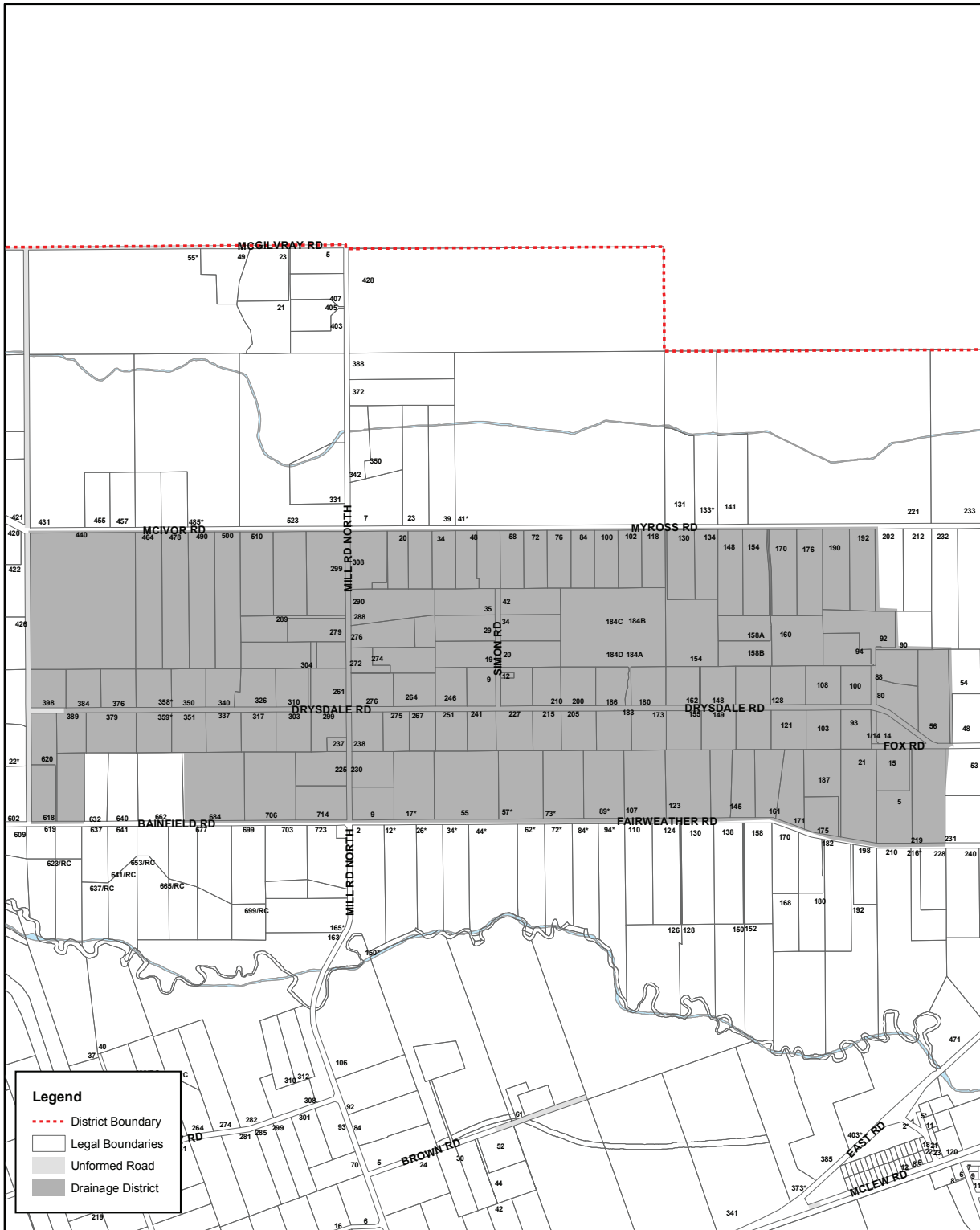


Map C
Rateable Land Within the Makarewa Drainage Area
 Current as at: 1/3/2009

Legend

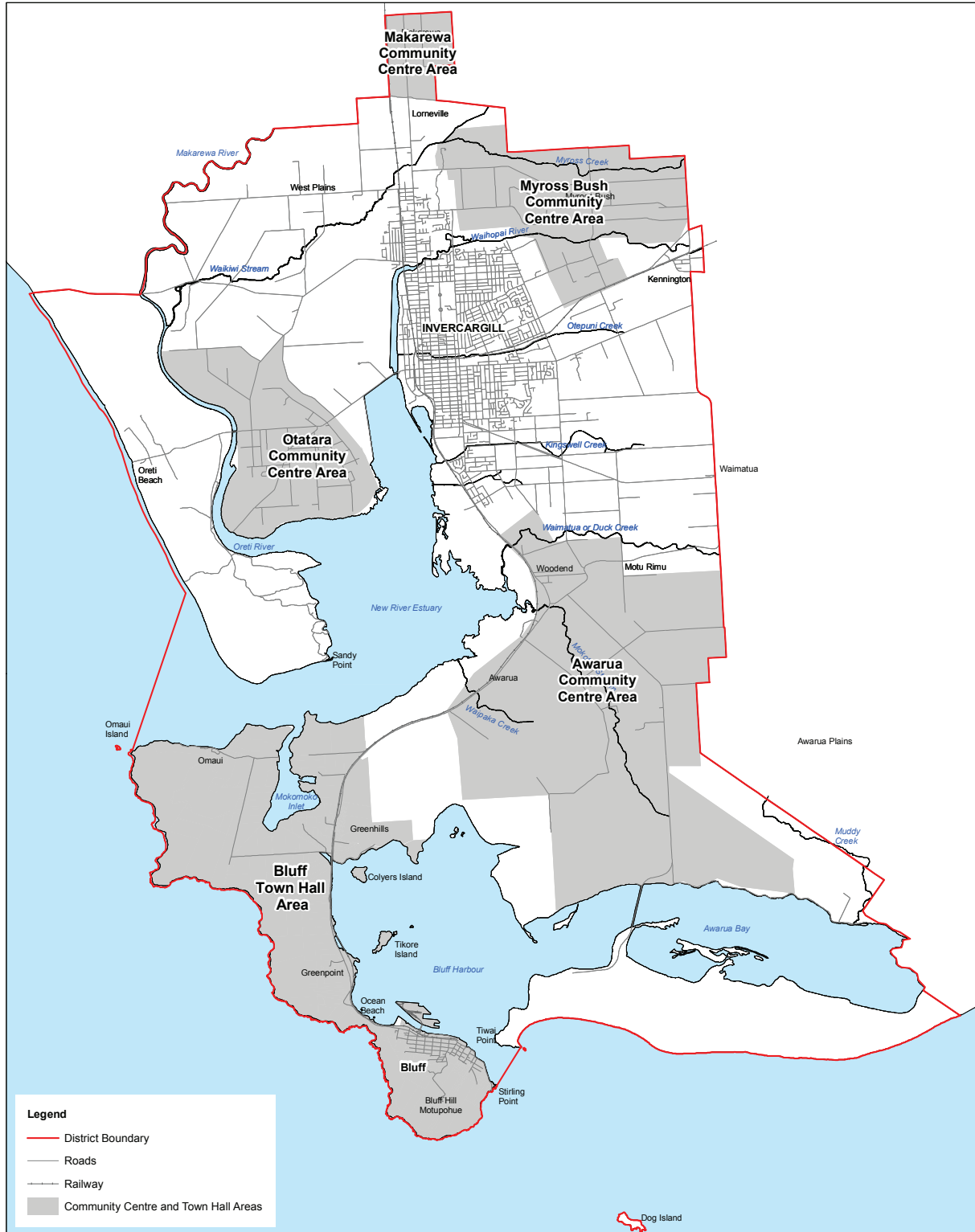
- District Boundary
- Legal Boundaries
- Unformed Road
- Drainage District

Information shown is the currently assumed knowledge as at Date Printed. If information is vital, confirm with the Authoritative Owner, E & O.E.



Map D
Rateable Land Within the Myross Bush Drainage Area
 Current as at : 1/3/2009

N
 Information shown is the currently assumed knowledge as at Date Printed. If information is vital, confirm with the Authoritative Owner, E & O.E.



Legend

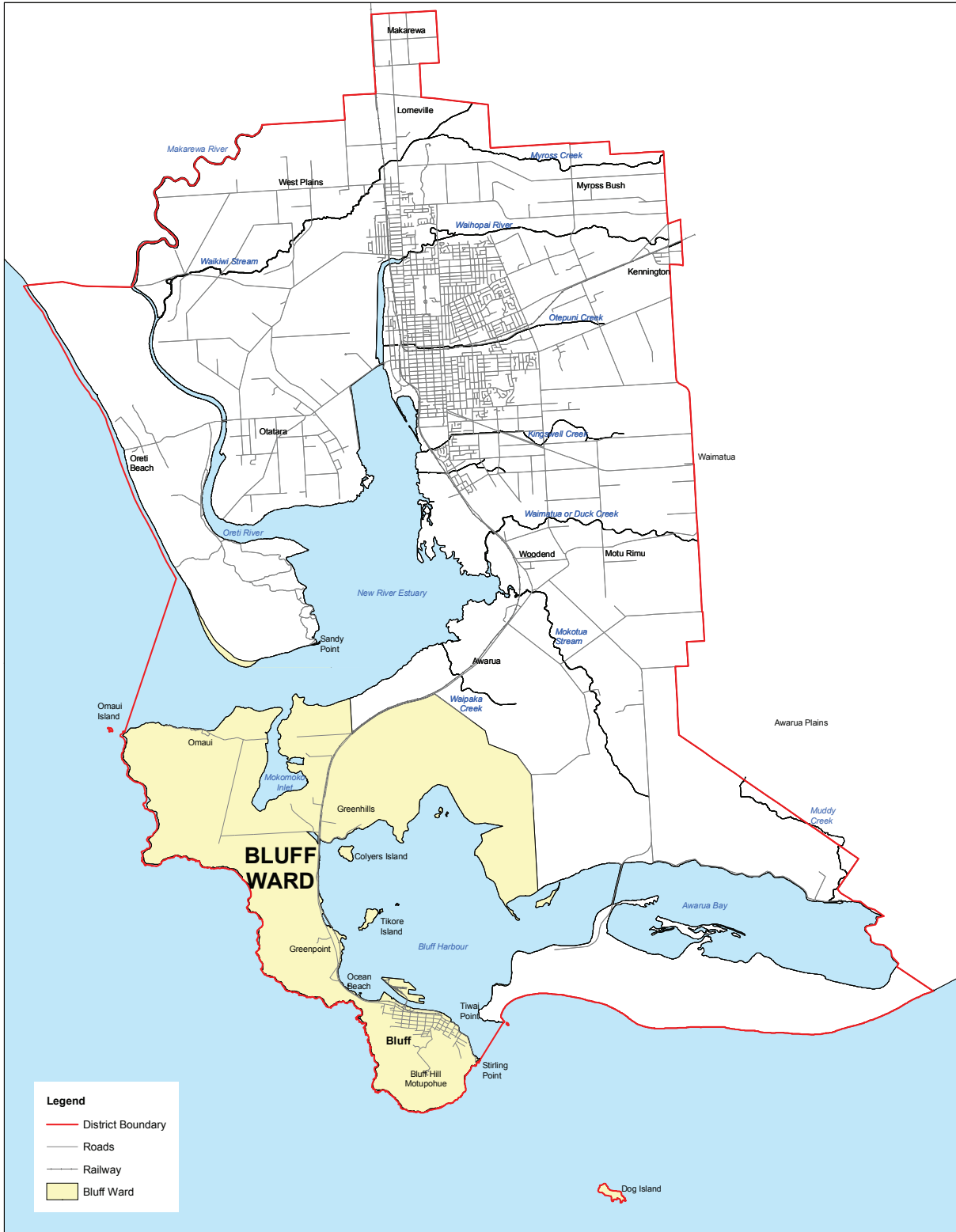
- District Boundary
- Roads
- +— Railway
- Community Centre and Town Hall Areas



Map E Rateable Land Within the Specified Locations For Community Centres and Bluff Town Hall
 Current as at: 1/3/2011

N

Information shown is the currently assumed knowledge as at Date Printed. If information is vital, confirm with the Authoritative Owner. E & O.E.



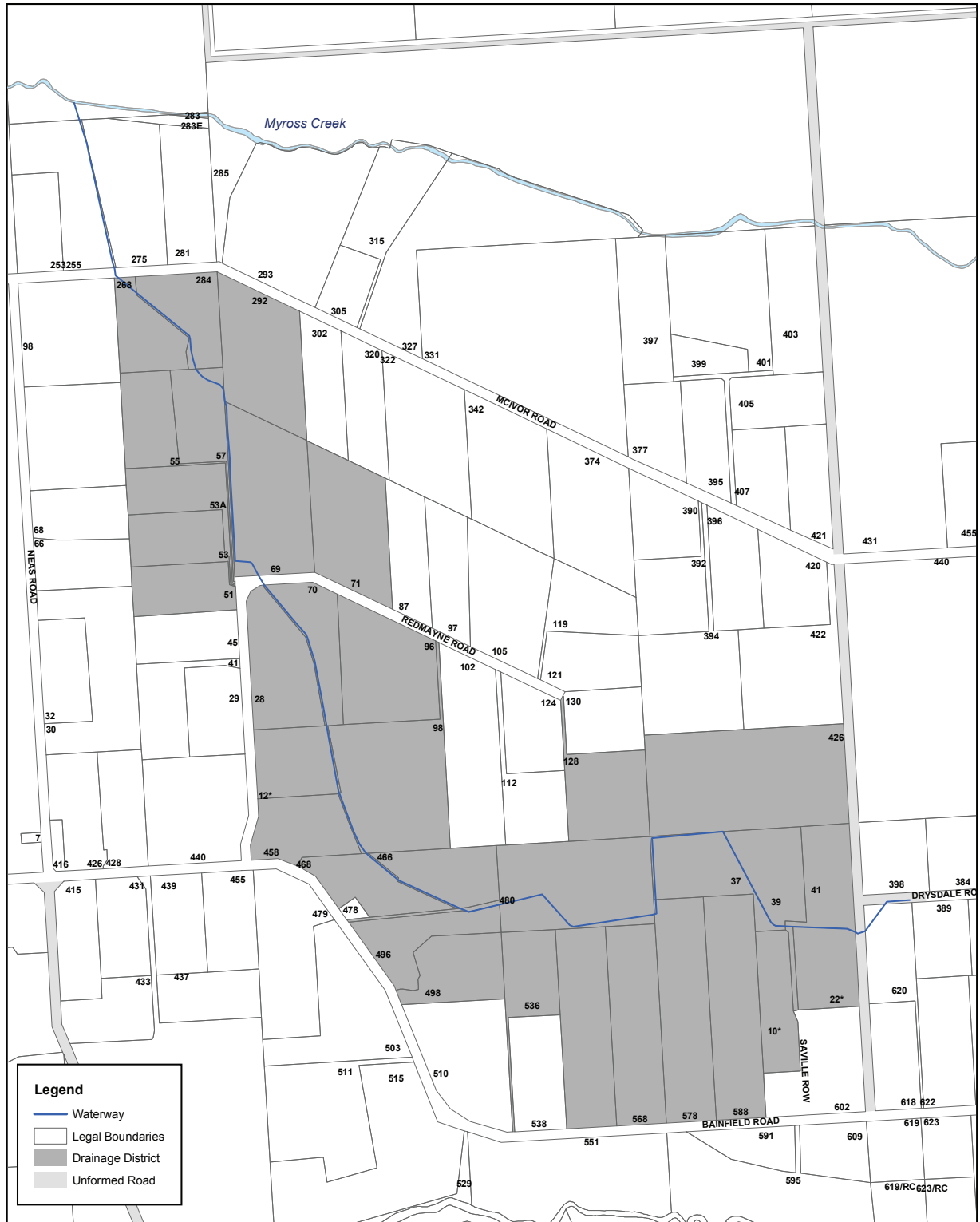
Legend

- District Boundary
- Roads
- Railway
- Bluff Ward



Map F
INVERCARGILL CITY DISTRICT
 Date Printed : 24/2/2009

N
 Information shown is the currently assumed knowledge as at Date Printed. If information is vital, confirm with the Authorative Owner. E & O.E



Legend

- Waterway
- Legal Boundaries
- Drainage District
- Unformed Road



Map G
Rateable Land Within the Redmayne Road Drainage Area
 Current as at : 1/3/2009

N

Information shown is the currently assumed knowledge as at Date Printed. If information is vital, confirm with the Authoritative Owner. E & O.E



