

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
- Schedule of Reserve Funds
- Prospective Statement of Accounting Policies.

Prospective Financial Statements

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

	Annual Plan	Annual Plan	Long Term Plan 2015 - 2025	
	2014/15 (\$,000)	(Restated)* 2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)
ASSETS				
Cash and cash equivalents	1,435	6,466	6,416	6,364
Trade and other receivables	11,792	10,010	10,010	10,256
Inventories	648	670	670	686
Other financial assets - current	(764)	0	0	0
Current assets	13,111	17,146	17,096	17,306
Property, plant and equipment assets	694,253	657,133	672,361	723,087
Intangible Assets	273	307	307	307
Forestry assets	1,370	2,005	2,135	2,135
Investment property	26,088	27,574	28,184	28,880
Other financial assets - Investments in CCO's	36,546	36,069	36,069	36,069
Other financial assets - Other	15,392	4,567	1,417	2,785
Non-current assets	773,922	727,655	740,473	793,263
TOTAL ASSETS	787,033	744,801	757,569	810,569
LIABILITIES				
Trade and other payables	10,539	9,501	9,501	9,693
Provisions - Current portion	112	50	51	84
Employee benefit liabilities - current portion	2,649	2,028	2,028	2,078
Borrowings - Current Portion	2,842	2,866	3,303	3,498
Derivative Financial Instruments - Current	0	7	7	7
Current liabilities	16,142	14,452	14,890	15,360
Employee benefit liabilities - Non current portion	860	812	812	832
Borrowings - non current portion	58,005	30,187	44,606	50,101
Provisions - non current portion	906	925	874	790
Derivative Financial Instruments - Non-current	0	374	374	374
Non-current liabilities	59,771	32,298	46,666	52,097
TOTAL LIABILITIES	75,913	46,750	61,556	67,457
EQUITY				
Retained earnings	404,799	406,757	408,869	405,369
Restricted reserves	17,082	19,166	15,016	15,397
Hedging Reserve	(764)	(143)	(143)	(143)
Asset revaluation reserves	290,003	272,271	272,271	322,489
TOTAL EQUITY	711,120	698,051	696,013	743,112
TOTAL LIABILITIES AND EQUITY	787,033	744,801	757,569	810,569

* Annual Plan (Restated) 2014/15 represents the Annual Plan 2014/15 including adjustments for actuals from Annual report 2013/14

2017/18 (\$,000)	2018/19 (\$,000)	2019/20 (\$,000)	2020/21 (\$,000)	2021/22 (\$,000)	2022/23 (\$,000)	2023/24 (\$,000)	2024/25 (\$,000)
6,280	6,194	6,106	6,014	5,920	5,823	5,723	5,620
10,515	10,789	11,085	11,407	11,754	12,129	12,537	12,978
704	722	742	764	787	812	839	869
0	0	0	0	0	0	0	0
17,499	17,705	17,933	18,185	18,461	18,764	19,099	19,467
719,998	716,476	792,801	795,387	795,380	871,036	868,760	868,155
307	307	307	307	307	307	307	307
2,135	2,135	2,135	2,135	2,135	2,135	2,135	2,135
29,603	30,353	31,161	32,039	32,989	34,018	35,150	36,385
36,069	36,069	36,069	36,069	36,069	36,069	36,069	36,069
4,129	4,587	4,905	5,256	5,742	6,504	7,799	6,818
792,241	789,927	867,378	871,193	872,622	950,069	950,220	949,869
809,740	807,632	885,311	889,378	891,083	968,833	969,319	969,336
9,896	10,111	10,345	10,595	10,867	11,161	11,479	11,825
86	89	91	94	97	100	104	107
2,131	2,186	2,246	2,311	2,381	2,457	2,539	2,630
3,796	3,719	3,744	4,925	3,990	3,987	3,756	3,633
7	7	7	7	7	7	7	7
15,916	16,112	16,433	17,932	17,342	17,712	17,885	18,202
853	875	899	925	953	983	1,017	1,053
52,881	50,320	52,983	53,028	52,976	53,054	49,243	46,053
704	615	524	430	333	233	129	22
374	374	374	374	374	374	374	374
54,812	52,184	54,780	54,757	54,636	54,644	50,763	47,502
70,728	68,296	71,213	72,689	71,978	72,356	68,648	65,704
400,898	400,724	400,520	402,714	404,596	405,745	408,588	412,471
15,768	16,266	16,626	17,023	17,557	18,371	19,722	18,800
(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)
322,489	322,489	397,095	397,095	397,095	472,504	472,504	472,504
739,012	739,336	814,098	816,689	819,105	896,477	900,671	903,632
809,740	807,632	885,311	889,378	891,083	968,833	969,319	969,336

and large transactions which have occurred during the 2014/15 financial year, which are not included in Annual Plan 2014/15.

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE & EXPENDITURE

	Annual Plan	Annual Plan	Long Term Plan 2015 - 2025	
	2014/15 (\$,000)	(Restated)* 2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)
REVENUE				
Rates revenue excluding targeted water supply rates	39,122	39,122	40,614	41,439
Targeted water supply rates revenue	6,188	6,188	6,461	6,732
Other Revenue	34,014	34,014	34,640	36,358
Gain on Sale of Assets	0	0	0	0
Investment Property Revaluations - Gain/(Loss)	786	786	610	696
Finance Revenue	401	401	215	71
	80,511	80,511	82,540	85,296
EXPENDITURE				
Employee benefit expenses	21,344	21,344	22,674	23,336
Depreciation and amortisation	19,675	19,675	22,228	24,018
Other expenses	37,083	37,083	37,495	38,071
Finance expenses	2,773	2,773	2,181	2,990
	80,874	80,874	84,578	88,415
Operating surplus/(deficit)	(363)	(363)	(2,038)	(3,119)
OTHER COMPREHENSIVE REVENUE				
Property Plant and Equipment Revaluations - Gain/(loss)	0	0	0	50,218
Less Taxation Expense	0	0	0	0
Total Comprehensive Revenue and Expenditure after Taxation	(363)	(363)	(2,038)	47,099

* Annual Plan (Restated) 2014/15 represents the Annual Plan 2014/15 including adjustments for actuals from Annual report 2013/14

2017/18 (\$,000)	2018/19 (\$,000)	2019/20 (\$,000)	2020/21 (\$,000)	2021/22 (\$,000)	2022/23 (\$,000)	2023/24 (\$,000)	2024/25 (\$,000)
42,869	44,912	46,438	48,906	48,851	49,595	50,655	52,226
7,898	8,548	8,999	8,503	10,940	12,503	13,606	13,698
37,342	38,402	39,824	40,812	42,234	44,035	45,036	46,515
0	0	0	0	0	0	0	0
723	750	807	878	950	1,029	1,132	1,234
120	180	206	226	249	281	333	421
88,952	92,792	96,274	99,325	103,224	107,443	110,762	114,094
23,986	24,568	25,310	25,993	26,791	27,654	28,589	29,678
22,864	24,509	26,400	25,359	27,436	29,776	28,548	30,873
42,791	39,542	40,593	41,452	42,603	44,017	45,338	46,712
3,411	3,849	3,815	3,930	3,978	4,033	4,093	3,870
93,052	92,468	96,118	96,734	100,808	105,480	106,568	111,133
(4,100)	324	156	2,591	2,416	1,963	4,194	2,961
0	0	74,606	0	0	75,409	0	0
0	0	0	0	0	0	0	0
(4,100)	324	74,762	2,591	2,416	77,372	4,194	2,961

and large transactions which have occurred during the 2014/15 financial year, which are not included in Annual Plan 2014/15.

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

	Annual Plan	Annual Plan	Long Term Plan 2015 - 2025	
	2014/15 (\$,000)	(Restated)* 2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)
Equity Balance at 1 July	711,483	698,414	698,051	696,013
Total Comprehensive Revenue and Expenditure after Taxation	(363)	(363)	(2,038)	47,099
Total Recognised Revenues and Expenses for year	(363)	(363)	(2,038)	47,099
Equity Balance at 30 June	711,120	698,051	696,013	743,112
COMPONENTS OF EQUITY				
Retained earnings at 1 July	402,326	402,983	406,757	408,869
Net surplus/(Deficit) for the Year	(363)	(363)	(2,038)	47,099
Transfers (to)/from Restricted Reserves	2,836	4,137	4,150	(381)
Transfers (to)/from Revaluation Reserves	0	0	0	(50,218)
Retained earnings at 30 June	404,799	406,757	408,869	405,369
Restricted reserves at 1 July	19,918	23,303	19,166	15,016
Transfers (to)/from reserves	(2,836)	(4,137)	(4,150)	381
Restricted reserves at 30 June	17,082	19,166	15,016	15,397
Hedging reserves at 1 July	(764)	(143)	(143)	(143)
Transfers to/(from) reserves	0	0	0	0
Hedging reserves at 30 June	(764)	(143)	(143)	(143)
Revaluation reserves at 1 July	290,003	272,271	272,271	272,271
Transfers to/(from) reserves	0	0	0	50,218
Revaluation reserves at 30 June	290,003	272,271	272,271	322,489

* Annual Plan (Restated) 2014/15 represents the Annual Plan 2014/15 including adjustments for actuals from Annual report 2013/14

2017/18 (\$,000)	2018/19 (\$,000)	2019/20 (\$,000)	2020/21 (\$,000)	2021/22 (\$,000)	2022/23 (\$,000)	2023/24 (\$,000)	2024/25 (\$,000)
743,112	739,012	739,336	814,098	816,689	819,105	896,477	900,672
(4,100)	324	74,762	2,591	2,416	77,372	4,194	2,961
(4,100)	324	74,762	2,591	2,416	77,372	4,194	2,961
739,012	739,336	814,098	816,689	819,105	896,477	900,671	903,632
405,369	400,898	400,724	400,520	402,714	404,596	405,745	408,588
(4,100)	324	74,762	2,591	2,416	77,372	4,194	2,961
(371)	(498)	(360)	(397)	(534)	(814)	(1,351)	922
0	0	(74,606)	0	0	(75,409)	0	0
400,898	400,724	400,520	402,714	404,596	405,745	408,588	412,471
15,397	15,768	16,266	16,626	17,023	17,557	18,371	19,722
371	498	360	397	534	814	1,351	(922)
15,768	16,266	16,626	17,023	17,557	18,371	19,722	18,800
(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)
0	0	0	0	0	0	0	0
(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)
322,489	322,489	322,489	397,095	397,095	397,095	472,504	472,504
0	0	74,606	0	0	75,409	0	0
322,489	322,489	397,095	397,095	397,095	472,504	472,504	472,504

and large transactions which have occurred during the 2014/15 financial year, which are not included in Annual Plan 2014/15.

PROSPECTIVE STATEMENT OF CASHFLOWS

	Annual Plan	Annual Plan	Long Term Plan 2015 - 2025	
	2014/15 (\$,000)	(Restated)* 2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from				
Rates Revenue	45,310	45,310	47,075	48,171
Investment Revenue	401	401	215	71
Dividend Revenue	4,200	4,200	4,700	4,900
Other Operating Revenue	29,814	29,814	28,145	29,658
	79,725	79,725	80,135	82,800
Cash was applied to				
Operating Expenditure	58,426	58,426	58,424	59,659
Interest Expenditure	2,773	2,773	2,181	2,990
	61,199	61,199	60,605	62,649
Net cash Inflow/(Outflow) from Operating Activities	18,526	18,526	19,530	20,151
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from				
Redemption of Investments	5,794	5,794	8,040	3,498
Sale of Fixed Assets	152	152	202	144
	5,946	5,946	8,242	3,642
Cash was applied to				
Purchase of Fixed Assets	24,995	25,000	37,789	24,670
Investments Made	2,958	1,911	4,890	4,866
	27,953	26,911	42,679	29,536
Net cash Inflow/(Outflow) from Investing Activities	(22,007)	(20,965)	(34,437)	(25,894)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from				
Loans raised	6,323	6,323	17,783	9,055
	6,323	6,323	17,783	9,055
Cash was applied to				
Loan Principal Repaid	2,842	2,987	2,926	3,364
	2,842	2,987	2,926	3,364
Net cash Inflow/(Outflow) from Financing Activities	3,481	3,336	14,857	5,691
Net (decrease) increase in cash and cash equivalents	0	897	(50)	(52)
Cash and cash equivalents at the beginning of the year	1,435	5,569	6,466	6,416
Cash and cash equivalents at the end of the year	1,435	6,466	6,416	6,364

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2017/18 (\$,000)	2018/19 (\$,000)	2019/20 (\$,000)	2020/21 (\$,000)	2021/22 (\$,000)	2022/23 (\$,000)	2023/24 (\$,000)	2024/25 (\$,000)
50,767	53,460	55,437	57,409	59,791	62,098	64,261	65,924
120	180	206	226	249	281	333	421
5,100	5,300	5,500	5,700	5,900	6,100	6,300	6,500
30,408	31,229	32,410	33,154	34,329	35,880	36,630	37,850
86,395	90,169	93,553	96,489	100,269	104,359	107,524	110,695
65,027	62,325	64,077	65,579	67,483	69,714	71,920	74,330
3,411	3,849	3,815	3,930	3,978	4,033	4,093	3,870
68,438	66,174	67,892	69,509	71,461	73,747	76,013	78,200
17,957	23,995	25,661	26,980	28,808	30,612	31,511	32,495
3,697	3,780	4,108	4,416	4,435	4,368	4,159	7,109
145	170	200	177	177	177	232	210
3,842	3,950	4,308	4,593	4,612	4,545	4,391	7,319
19,920	21,156	28,320	28,123	27,606	30,199	26,505	30,477
5,040	4,238	4,425	4,767	4,921	5,130	5,455	6,128
24,960	25,394	32,745	32,890	32,527	35,329	31,960	36,605
(21,118)	(21,444)	(28,437)	(28,297)	(27,915)	(30,784)	(27,569)	(29,286)
6,637	1,221	6,469	5,031	4,000	4,127	7	507
6,637	1,221	6,469	5,031	4,000	4,127	7	507
3,560	3,858	3,781	3,806	4,987	4,052	4,049	3,819
3,560	3,858	3,781	3,806	4,987	4,052	4,049	3,819
3,077	(2,637)	2,688	1,225	(987)	75	(4,042)	(3,312)
(84)	(86)	(88)	(92)	(94)	(97)	(100)	(103)
6,364	6,280	6,194	6,106	6,014	5,920	5,823	5,723
6,280	6,194	6,106	6,014	5,920	5,823	5,723	5,620

and large transactions which have occurred during the 2014/15 financial year, which are not included in Annual Plan 2014/15.

Financial Statement Reconciliations

RATES REVENUE RECONCILIATION FROM FUNDING IMPACT STATEMENTS TO STATEMENT OF COMPREHENSIVE REVENUE & EXPENDITURE

	Annual Plan	Long Term Plan 2015 - 2025		
	2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)	2017/18 (\$,000)
Roading	7,382	8,166	8,261	8,349
Sewerage	4,945	5,039	5,173	5,704
Solid Waste Management	3,824	3,839	3,933	4,032
Stormwater	2,560	3,101	3,140	3,308
Water Supply	6,214	6,461	6,732	7,898
Infrastructural Services	24,925	26,606	27,239	29,291
Animal Control	347	248	246	197
Building Consents	446	619	615	652
Civil Defence Emergency Management	240	257	263	270
Compliance	(119)	(118)	(120)	(123)
Environmental Health	907	842	859	900
Resource Management	1,239	1,239	1,167	1,170
Development and Regulatory Services	3,060	3,087	3,030	3,066
Community Development	246	292	300	335
Housing Care Service	19	0	0	0
Libraries and Archives	3,735	3,913	3,995	4,167
Parks and Reserves	5,655	5,575	6,025	6,163
Passenger Transport	742	758	766	817
Pools	1,679	1,974	2,091	1,949
Public Toilets	344	355	362	371
Theatre Services	953	924	947	971
Southland Museum & Art Gallery	11	0	0	0
Southland Regional Heritage Committee	706	721	739	757
Provision of Specialised Community Services	2,413	2,369	2,535	2,563
Community Services	16,503	16,881	17,760	18,093

2018/19 (\$,000)	2019/20 (\$,000)	2020/21 (\$,000)	2021/22 (\$,000)	2022/23 (\$,000)	2023/24 (\$,000)	2024/25 (\$,000)
9,495	9,910	10,105	10,396	10,157	10,291	10,627
5,673	5,979	6,706	6,028	6,078	5,784	5,892
4,138	4,252	4,375	4,508	4,652	4,808	4,978
3,480	3,843	4,162	4,108	4,298	4,400	4,674
8,548	8,998	8,503	10,940	12,503	13,606	13,698
31,334	32,982	33,851	35,980	37,688	38,889	39,869
202	208	157	160	165	169	180
639	682	679	725	722	772	775
277	285	293	302	311	322	333
(126)	(130)	(133)	(137)	(141)	(146)	(150)
923	949	978	1,007	1,039	1,074	1,113
1,208	1,238	1,274	1,310	1,360	1,401	1,559
3,123	3,232	3,248	3,367	3,456	3,592	3,810
320	328	335	350	359	369	380
0	0	0	0	0	0	0
4,280	4,398	4,523	4,661	4,810	4,980	5,156
6,182	6,270	6,588	6,478	6,711	7,121	7,284
794	810	840	872	907	936	970
2,007	2,103	2,260	2,330	2,406	2,489	2,579
380	390	400	411	423	435	448
996	1,023	1,053	1,085	1,120	1,157	1,198
0	0	0	0	0	0	0
777	799	822	847	874	903	935
2,967	2,999	3,033	3,066	3,100	3,140	3,182
18,703	19,120	19,854	20,100	20,710	21,530	22,132

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

	Annual Plan	Long Term Plan 2015 - 2025		
	2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)	2017/18 (\$,000)
Democratic Process	2,983	2,976	3,024	3,130
Enterprise (including Destinalional Marketing)	1,669	1,670	1,770	1,806
Investment	(197)	(214)	(646)	(660)
Corporate Services	4,455	4,432	4,148	4,276
CBD Redevelopment	444	136	192	400
Urban Rejuvenation	277	266	271	277
Earthquake Buildings	0	50	102	105
Special Projects	721	452	565	782
Non significant activities	(3,804)	(3,823)	(3,997)	(4,153)
Total General rates, uniform annual general charges, targeted rates, and rates penalties - per FIS	45,860	47,635	48,745	51,355
Less Rates Penalties (Disclosed in Other Revenue in Statement of Comprehensive Revenue and Expenditure)	(550)	(560)	(574)	(588)
Total Rates (excluding rates penalties) - per FIS	45,310	47,075	48,171	50,767
Per Statement of Comprehensive Revenue and Expenditure:				
Rates revenue excluding targeted water supply rates	39,122	40,614	41,439	42,869
Rates revenue - targeted water supply rates	6,188	6,461	6,732	7,898
"Rates Revenue" (SOCl "Rates" excludes Rates Penalties)	45,310	47,075	48,171	50,767

2018/19 (\$,000)	2019/20 (\$,000)	2020/21 (\$,000)	2021/22 (\$,000)	2022/23 (\$,000)	2023/24 (\$,000)	2024/25 (\$,000)
3,182	3,269	3,397	3,494	3,577	3,733	3,828
1,844	1,884	1,928	1,974	2,023	2,076	2,132
(686)	(707)	(752)	(802)	(856)	(914)	(998)
4,340	4,446	4,573	4,666	4,744	4,895	4,962
525	537	783	782	782	781	780
283	290	297	304	312	321	328
108	111	114	117	121	125	130
916	938	1,194	1,203	1,215	1,227	1,238
(4,352)	(4,661)	(4,673)	(4,867)	(5,036)	(5,171)	(5,361)
54,064	56,057	58,047	60,449	62,777	64,962	66,650
(604)	(620)	(638)	(658)	(679)	(701)	(726)
53,460	55,437	57,409	59,791	62,098	64,261	65,924
44,912	46,438	48,906	48,851	49,595	50,655	52,226
8,548	8,999	8,503	10,940	12,503	13,606	13,698
53,460	55,437	57,409	59,791	62,098	64,261	65,924

OPERATING REVENUE RECONCILIATION FROM FUNDING IMPACT STATEMENTS TO STATEMENT OF COMPREHENSIVE REVENUE & EXPENDITURE

	Annual Plan	Long Term Plan 2015 - 2025		
	2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)	2017/18 (\$,000)
Total Operating Funding (including internal charges) - per FIS				
Roading	10,938	11,632	11,824	12,018
Sewerage	5,482	6,009	5,788	6,334
Solid Waste Management	8,261	8,067	8,264	8,473
Stormwater	2,560	3,101	3,140	3,308
Water Supply	7,417	7,608	7,978	9,249
Infrastructural Services	34,658	36,417	36,994	39,382
Animal Control	1,123	1,104	1,127	1,152
Building Consents	3,063	3,029	3,084	3,184
Civil Defence Emergency Management	405	404	413	424
Compliance	679	735	754	772
Environmental Health	1,225	1,273	1,306	1,338
Resource Management	1,456	1,473	1,416	1,425
Development and Regulatory Services	7,951	8,018	8,100	8,295
Community Development	251	294	302	337
Housing Care Service	1,790	1,775	1,819	1,864
Libraries and Archives	4,531	4,806	4,913	5,179
Parks and Reserves	15,291	15,052	15,813	16,200
Passenger Transport	2,115	2,193	2,250	2,362
Pools	4,522	5,309	6,046	6,010
Public Toilets	344	355	362	371
Theatre Services	1,784	1,804	1,895	1,967
Southland Museum & Art Gallery	2,219	2,537	2,599	2,665
Southland Regional Heritage Committee	1,022	1,042	1,065	1,089
Provision of Specialised Community Services	2,413	2,369	2,684	2,715
Community Services	36,282	37,536	39,748	40,759

2018/19 (\$,000)	2019/20 (\$,000)	2020/21 (\$,000)	2021/22 (\$,000)	2022/23 (\$,000)	2023/24 (\$,000)	2024/25 (\$,000)
13,209	13,815	14,020	14,421	14,300	14,564	15,039
6,320	6,643	7,390	6,733	6,805	6,535	6,670
8,695	8,948	9,207	9,487	9,790	10,118	10,476
3,480	3,843	4,162	4,108	4,298	4,400	4,674
10,010	10,578	10,209	12,780	14,401	15,568	15,729
41,714	43,827	44,988	47,529	49,594	51,185	52,588
1,183	1,216	1,250	1,286	1,327	1,370	1,422
3,237	3,351	3,425	3,555	3,642	3,791	3,900
435	448	460	474	489	506	523
794	814	839	865	892	921	955
1,372	1,411	1,452	1,495	1,544	1,595	1,653
1,470	1,507	1,550	1,595	1,654	1,705	1,874
8,491	8,747	8,976	9,270	9,548	9,888	10,327
323	331	338	353	362	372	383
1,914	1,967	2,023	2,084	2,151	2,223	2,302
5,323	5,470	5,626	5,797	5,983	6,201	6,420
16,480	16,851	17,477	17,698	18,289	19,087	19,673
2,313	2,352	2,422	2,495	2,575	2,661	2,755
6,198	6,469	6,891	7,105	7,335	7,585	7,857
380	390	400	411	423	435	448
2,045	2,128	2,360	2,432	2,510	2,594	2,698
2,922	3,003	3,090	3,183	3,285	3,396	3,516
1,115	1,144	1,174	1,207	1,243	1,281	1,323
3,123	3,160	3,202	3,240	3,279	3,325	3,374
42,136	43,265	45,003	46,005	47,435	49,160	50,749

OPERATING REVENUE RECONCILIATION FROM FUNDING IMPACT STATEMENTS TO STATEMENT OF COMPREHENSIVE REVENUE & EXPENDITURE - continued

	Annual Plan	Long Term Plan 2015 - 2025		
	2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)	2017/18 (\$,000)
Democratic Process	3,343	3,346	3,403	3,518
Enterprise (including Destinational Marketing)	3,259	2,997	3,093	3,155
Investment	1,268	1,207	1,502	1,775
Corporate Services	7,870	7,550	7,998	8,448
CBD Redevelopment	444	136	192	400
Urban Rejuvenation	277	266	271	277
Earthquake Buildings	0	150	204	210
Special Projects	721	552	667	887
Non significant activities	14,470	14,937	15,841	16,473
Total Operating Funding - Per Activity FIS's	101,952	105,010	109,348	114,244
LESS: Internal charges and overheads recovered - Per FIS	(26,009)	(26,731)	(28,349)	(29,429)
Total Operating Funding - Per Council FIS	75,943	78,279	80,999	84,815
PLUS: Capital Funding - "subsidies and grants for capital expenditure" - Roading activity	3,782	3,651	3,601	3,414
PLUS: Investment Property Revaluation Gain/(Loss)	786	610	696	723
Total Revenue Funding - per Statement of Comprehensive Revenue and Expenditure	80,511	82,540	85,296	88,952
Per Statement of Comprehensive Revenue and Expenditure:				
Rates revenue excluding targeted water supply rates	39,122	40,614	41,439	42,869
Rates revenue - targeted water supply rates	6,188	6,461	6,732	7,898
Other Revenue (Includes Rates Penalties)	34,014	34,640	36,358	37,342
Gain on Sale of Assets	0	0	0	0
Investment Property Revaluation Gain/(Loss)	786	610	696	723
Finance Revenue	401	215	71	120
Total Revenue	80,511	82,540	85,296	88,952

2018/19 (\$,000)	2019/20 (\$,000)	2020/21 (\$,000)	2021/22 (\$,000)	2022/23 (\$,000)	2023/24 (\$,000)	2024/25 (\$,000)
3,580	3,679	3,819	3,929	4,025	4,196	4,307
3,220	3,290	3,366	3,446	3,531	3,622	3,719
1,812	1,859	1,888	1,920	1,952	1,989	2,007
8,612	8,828	9,073	9,295	9,508	9,807	10,033
525	537	783	782	782	781	780
283	290	297	304	312	321	328
216	222	228	234	242	250	260
1,024	1,049	1,308	1,320	1,336	1,352	1,368
16,888	17,673	18,087	18,625	19,336	19,957	20,719
118,865	123,389	127,435	132,044	136,757	141,349	145,784
(30,384)	(31,523)	(32,676)	(33,669)	(34,745)	(35,919)	(37,211)
88,481	91,866	94,759	98,375	102,012	105,430	108,573
3,561	3,601	3,688	3,899	4,402	4,200	4,287
750	807	878	950	1,029	1,132	1,234
92,792	96,274	99,325	103,224	107,443	110,762	114,094
44,912	46,438	48,906	48,851	49,595	50,655	52,226
8,548	8,999	8,503	10,940	12,503	13,606	13,698
38,402	39,824	40,812	42,234	44,035	45,036	46,515
0	0	0	0	0	0	0
750	807	878	950	1,029	1,132	1,234
180	206	226	249	281	333	421
92,792	96,274	99,325	103,224	107,443	110,762	114,094

OPERATING EXPENDITURE RECONCILIATION FROM FUNDING IMPACT STATEMENTS TO STATEMENT OF COMPREHENSIVE REVENUE & EXPENDITURE

	Annual Plan	Long Term Plan 2015 - 2025		
	2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)	2017/18 (\$,000)
Total Applications of Operating Funding - per FIS				
Roading	6,499	6,916	7,035	7,275
Sewerage	3,135	3,341	3,507	3,546
Solid Waste Management	8,299	7,967	8,162	8,368
Stormwater	1,113	1,248	1,276	1,306
Water Supply	4,835	4,711	5,190	5,316
Infrastructural Services	23,881	24,183	25,170	25,811
Animal Control	1,079	1,021	1,049	1,072
Building Consents	3,001	2,986	3,040	3,139
Civil Defence Emergency Management	405	404	413	424
Compliance	657	721	740	757
Environmental Health	1,206	1,243	1,275	1,306
Resource Management	1,424	1,466	1,411	1,421
Development and Regulatory Services	7,772	7,841	7,928	8,119
Community Development	248	291	299	306
Housing Care Service	1,619	1,457	1,501	1,547
Libraries and Archives	3,902	4,169	4,240	4,455
Parks and Reserves	14,103	14,310	14,666	15,036
Passenger Transport	1,972	2,169	2,013	2,048
Pools	4,180	5,085	5,592	5,726
Public Toilets	304	310	316	323
Theatre Services	1,332	1,209	1,240	1,270
Southland Museum & Art Gallery	2,233	2,532	2,595	2,660
Southland Regional Heritage Committee	1,022	1,042	1,065	1,089
Provision of Specialised Community Services	2,375	2,356	2,519	6,544
Community Services	33,290	34,930	36,046	41,004

2018/19 (\$,000)	2019/20 (\$,000)	2020/21 (\$,000)	2021/22 (\$,000)	2022/23 (\$,000)	2023/24 (\$,000)	2024/25 (\$,000)
7,372	7,480	7,682	7,812	8,038	8,311	8,537
3,615	3,669	3,718	3,774	3,844	3,930	4,035
8,587	8,837	9,093	9,370	9,669	9,993	10,346
1,340	1,376	1,415	1,456	1,501	1,548	1,602
5,501	5,656	5,797	6,203	6,588	6,987	7,109
26,415	27,018	27,705	28,615	29,640	30,769	31,629
1,101	1,132	1,162	1,196	1,234	1,274	1,321
3,198	3,310	3,384	3,511	3,597	3,744	3,852
435	448	460	474	489	506	523
779	799	823	849	876	903	937
1,339	1,378	1,417	1,460	1,508	1,558	1,614
1,458	1,499	1,544	1,591	1,642	1,695	1,867
8,310	8,566	8,790	9,081	9,346	9,680	10,114
314	323	332	342	352	363	375
1,599	1,639	1,681	1,727	1,780	1,836	1,898
4,574	4,691	4,807	4,934	5,072	5,230	5,394
15,427	15,847	16,307	16,803	17,340	17,918	18,548
2,120	2,175	2,241	2,308	2,382	2,462	2,549
5,900	6,135	6,489	6,662	6,847	7,050	7,270
330	337	344	353	362	371	382
1,303	1,339	1,377	1,420	1,465	1,515	1,567
2,891	2,971	3,057	3,149	3,250	3,360	3,478
1,115	1,144	1,174	1,207	1,243	1,281	1,323
2,841	2,863	2,886	2,906	2,926	2,952	2,980
38,414	39,464	40,695	41,811	43,019	44,338	45,764

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

	Annual Plan	Long Term Plan 2015 - 2025		
	2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)	2017/18 (\$,000)
Democratic Process	3,295	3,343	3,400	3,515
Enterprise (including Destination Marketing)	3,259	2,997	3,093	3,155
Investment	1,528	1,142	1,343	1,620
Corporate Services	8,082	7,482	7,836	8,290
CBD Redevelopment	236	99	136	278
Urban Rejuvenation	247	236	239	243
Earthquake Buildings	0	150	204	210
Special Projects	483	485	579	731
Non significant activities	13,700	14,160	15,187	15,662
Total Applications of Operating Funding - Per Activity FIS's	87,208	89,081	92,746	99,617
LESS: Internal charges and overheads recovered - Per FIS's	(26,009)	(26,731)	(28,349)	(29,429)
Total Applications of Operating Funding - Per Council FIS	61,199	62,350	64,397	70,188
Per Statement of Comprehensive Revenue and Expenditure:				
Employee benefit expenses	21,344	22,674	23,336	23,986
Other expenses	37,082	37,495	38,071	42,791
Finance expenses	2,773	2,181	2,990	3,411
	61,199	62,350	64,397	70,188
Plus Depreciation expenses (not in FIS)	19,675	22,228	24,018	22,864
Total Operating Expenditure - per Statement of Comprehensive Revenue and Expenditure	80,874	84,578	88,415	93,052

2018/19 (\$,000)	2019/20 (\$,000)	2020/21 (\$,000)	2021/22 (\$,000)	2022/23 (\$,000)	2023/24 (\$,000)	2024/25 (\$,000)
3,577	3,675	3,816	3,925	4,021	4,193	4,303
3,220	3,290	3,366	3,446	3,531	3,622	3,719
1,667	1,703	1,740	1,783	1,827	1,877	1,907
8,464	8,668	8,922	9,154	9,379	9,692	9,929
371	373	538	521	503	482	461
247	252	256	261	266	271	277
216	222	228	234	242	250	260
834	847	1,022	1,016	1,011	1,003	998
15,906	16,678	16,917	17,364	18,054	18,457	19,037
98,343	101,241	104,051	107,041	110,449	113,939	117,471
(30,384)	(31,523)	(32,676)	(33,669)	(34,745)	(35,919)	(37,211)
67,959	69,718	71,375	73,372	75,704	78,020	80,260
24,568	25,310	25,993	26,791	27,654	28,589	29,678
39,542	40,593	41,452	42,603	44,017	45,338	46,712
3,849	3,815	3,930	3,978	4,033	4,093	3,870
67,959	69,718	71,375	73,372	75,704	78,020	80,260
24,509	26,400	25,359	27,436	29,776	28,548	30,873
92,468	96,118	96,734	100,808	105,480	106,568	111,133

Schedule of Reserves

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 \$19,166,000 reserves, with \$13,733,000 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 ten years of the Long Term Plan.

RESTRICTED RESERVES				
The reserves can only be used for the purpose designated.				
	Opening Balance 2015/16 (\$,000)	Transfers In 2015/16 - 2024/25 (\$,000)	Transfers Out 2015/16 - 2024/25 (\$,000)	Closing Balance 2024/25 (\$,000)
<p>Category A (Legal Restriction)</p> <p>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.</p>	115	35	0	150
<p>Category B (Capital only restriction)</p> <p>These reserves are invested in property that provides a financial return to ratepayers (Investment Property, Library and Infrastructure activities)</p>	4,885	1,860	(2,250)	4,495
<p>Category C (specific purpose)</p> <p>These reserves are to maintain and provide for improvements to separately identifiable areas. (Parks Crematorium and Cemetary, Community Centres, Waste and Infrastructure activities)</p>	8,733	4,192	(3,495)	9,430

NON RESTRICTED RESERVES

The reserves can be used for purposes other than the purpose currently specified.

	Opening Balance 2015/16 (\$,000)	Transfers In 2015/16 - 2024/25 (\$,000)	Transfers Out 2015/16 - 2024/25 (\$,000)	Closing Balance 2024/25 (\$,000)
Loss of Service Potential To set aside funds for the replacement of assets in the future. (all activities)	3,953	32,039	(28,490)	7,502
Development To maintain and provide assets in identifiable areas. (Parks, Roading, and Water activities)	1,765	608	(1,370)	1,003
Property To provide for the purchase of properties. (Investment Property, and Infrastructure activities)	1,039	311	-	1,350
Amenities To provide funding for the ongoing operations of amenity areas. (Library, Museum, Pools, and Parks activities)	649	215	(195)	669
Financial To provide ongoing funding in a consistent manner for Council operations. (all activities)	109	33	-	142
Community Board To provide funding for Community Board areas for their activities and development of assets. (Democratic Process activity)	6,128	4,606	(3,342)	7,392
Economic Development To develop economic growth in the city which will be funded by future activity (Investment Property activity)	(8,210)	2,962	(8,085)	(13,333)
	19,166	46,861	(47,227)	18,800

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 Long-Term 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 93 and Part 1 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 prepared under Tier 1 PBE International Public Sector Accounting Standards (IPSAS).

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

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 30 June 2015.

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.

No actual financial results have been incorporated within the prospective financial statements.

SUBSIDIARIES

The Council consolidates as subsidiaries in the group financial statements all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where the Council

controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Council or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

The Council measures the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, in exchange for control of the subsidiary plus any costs directly attributable to the business combination.

Any excess of the cost of the business combination over the Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

BASIS OF CONSOLIDATION

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

The Council's investment in its subsidiaries are carried at deemed cost in the Council's own "parent entity" financial statements. Deemed cost is based on the net asset value of the subsidiary on conversion to NZ IFRS.

ASSOCIATES

The Council accounts for investments in associates in the group financial statements using the equity method. An associate is an entity over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The

investments in associates is initially recognised at cost and the carrying amount is increased or decreased to recognise the Council's share of the surplus or deficit of the associates after the date of acquisition. The Council's share of the surplus or deficit of the associates is recognised in the Council's statement of comprehensive income at the group level. Distributions received from associates reduce the carrying amount of the investment.

The Council's share in the associate's surplus or deficit resulting from unrealised gains on transactions between the Council and its associates is eliminated.

The Council investments in associates are carried at cost in the Council's own financial statements.

JOINT VENTURES

Joint ventures are those entities over which the Council has joint control, established by contractual agreement. The consolidated financial statements include the Council's proportionate share of the joint venture entities' assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis, from the date joint control commences until the date joint control ceases.

REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Council and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

PBE IPSAS 23.106(a) requires, either in the statement of financial position or the notes, that entities disclose the amount of revenue from non-exchange transactions by major classes, showing separately: i) taxes, showing separately major classes of taxes; and ii) transfers, showing separately major classes of transfer revenue. Due to the difficulty in classifying revenue as either an exchange or non-exchange transaction and the separate labelling of revenue as exchange or non-exchange generally does not provide any additional useful information (and is therefore unlikely to be material), we have decided to not label revenue as exchange or non-exchange in the prospective statement of comprehensive revenue and expense

Revenue from non-exchange transactions:

General and targeted rates

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.

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.

Government grants and funding

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

Revenues from non-exchange transactions with the Government and government agencies is recognised when the Council obtains control of the transferred asset (cash, goods, services, or property), and:

- it is probable that the economic benefits or service potential related to the asset will flow to the Council

and can be measured reliably; and

- the transfer is free from conditions that require the asset to be refunded or returned to the Government if the conditions are not fulfilled.

Revenue from government grants and funding is measured at the fair value of the assets (cash, goods, services, or property) transferred over to the Council at the time of transfer.

To the extent that there is a condition attached that would give rise to a liability to repay the grant amount or to return the granted asset, a deferred revenue liability is recognised instead of revenue. Revenue is then recognised only when the Council has satisfied these conditions.

New Zealand Units (NZU's) 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 surplus/deficit in the Statement of Comprehensive Income.

Fines

Traffic and parking infringements are recognised when tickets are issued.

Direct charges - subsidised

- (i) Rendering of services - subsidised

Rendering of services at a price that is not approximately equal to the value of the service provided by the Council is considered a non-exchange transaction. This includes rendering of services where the price does not allow the Council to fully recover the cost of providing the service (such as resource consents, building consents, water connections, dog licensing, etc.), and where the shortfall is subsidised by income from other activities, such as rates.

Generally there are no conditions attached to such revenue.

Revenue from such subsidised services is recognised when the Council issues the invoice or bill for the service. Revenue is recognised at the amount of the invoice or bill, which is the fair value of the cash received or receivable for the service. Revenue is recognised by reference to the stage of completion of the service to the extent that the Council has an obligation to refund the cash received from the service (or to the extent that the customer has the right to withhold payment from the Council for the service) if the service is not completed.

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.

(ii) **Sale of goods - subsidised**

The sale of goods at a price that is not approximately equal to the value of the goods provided by the Council is considered a non-exchange transaction. This includes the sale of goods where the price does not allow the Council to fully recover the cost of producing the goods, and where the shortfall is subsidised by income from other activities such as rates.

Revenue from the sale of such subsidised goods is recognised when the Council issues the invoice or bill for the goods. Revenue is recognised at the amount of the invoice or bill, which is the fair value of the cash received or receivable for the goods.

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.

Revenue from exchange transactions:

Direct charges - full cost recovery

(i) **Rendering of other services - full cost recovery**
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.

(ii) **Sale of goods - full cost recovery**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated and there is no continuing management involvement with the goods.

Interest revenue

Interest income is recognised using the effective interest method.

Dividends

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

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

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date. The substance of the arrangement depends on whether fulfilment of the arrangement is dependent on the use of a specific asset, or assets, or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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 four categories: available for sale investments, loans and receivables, held-to-maturity investments 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 four 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 “other financial assets” in the Statement of Financial Position. Investments in this category include fixed term deposits and loans to associates.

- **Hold-to-maturity investments**

Hold-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

- **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 liability, 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:

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

Buildings	Buildings
▪ Structures	2% - 3% SL
▪ Roof	2% - 3% SL
▪ Electrical	2% - 3% SL
▪ Plumbing	2% - 3% SL
▪ Internal Fitout	2% - 3% SL
▪ Plant	2% - 3% SL
Furniture and Fittings	Furniture and Fittings
▪ Furniture and Fittings	6.7% - 50% DV
Office Equipment	Office Equipment
▪ Office Equipment	14.4% - 60% SL/DV
Infrastructural Assets	Infrastructural Assets
Drainage	2.6% - 6.2% SL
Bridges	1% - 2.5% SL
Traffic Services	2.6% - 12.6% SL
Footpaths and Crossings	6.6% - 12.6% SL
Features and Structures	4.6% - 6% SL
Roads	Roads
▪ Formation	0%
▪ Shoulder and Pavements	3.5% SL
▪ Top Surface	10.35% SL
Drainage and Stormwater	Drainage and Stormwater
▪ System	6.5% SL
▪ Plant	3.21% SL
▪ Buildings	1% - 2% SL
Water	Water
▪ System	1% - 11.3% SL
▪ Plant	4% SL

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

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 20-48% 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.

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. Refer to the schedule of forecasting assumptions on pages 418 to 423. 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.

Classification of non-financial assets as cash-generating assets or non-cash-generating assets
For the purpose of assessing impairment indicators and impairment testing, the Council classifies non-financial assets as either cash-generating or non-cash-generating assets. The Council classifies a non-financial asset if the primary objective of the asset is to generate a commercial return. All other assets are classified as non-cash-generating assets.

All property, plant and equipment and intangible assets (excluding goodwill) held by Council are classified as non-cash-generating assets, except for rental properties that are earning a market rental. This includes assets that generate fee revenue or other cash flows for Council as these cash flows are generally not sufficient to represent commercial return on the assets.

PROSPECTIVE FINANCIAL INFORMATION

The financial information contained within this document is prospective financial information in terms of accounting standard FRS42 and complies with this standard. 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

There have been no significant changes to accounting policies.

