

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 Revenue and Expense
- Prospective Statement of Changes in Equity
- Prospective Statement of Cashflows
- Reconciliations from Funding Impact Statements to Statement of Comprehensive Revenue & Expense
- Schedule of Reserve Funds
- Prospective Statement of Accounting Policies.

All figures are GST exclusive unless otherwise stated.

Prospective Financial Statements

Prospective Statement of Financial Position

	Annual Plan	Annual Plan	Long Term Plan 2018 - 2028	
	2017/18 (\$000)	(Restated)* 2017/18 (\$000)	2018/19 (\$000)	2019/20 (\$000)
ASSETS				
Cash and cash equivalents	8,385	1,330	1,175	1,094
Trade and other receivables	12,556	7,045	7,045	7,197
Inventories	676	753	753	770
Other financial assets	20,275	27,508	28,140	27,694
Current assets	41,892	36,636	37,113	36,755
Property, plant and equipment	711,838	800,257	842,290	849,104
Intangible assets	837	910	910	910
Forestry assets	3,093	3,626	3,699	3,780
Investment property	39,829	38,397	39,165	40,027
Investment in CCOs and similar entities	36,069	36,069	36,069	36,069
Other financial assets - other investments	28,254	34,463	34,544	34,555
Non-current assets	819,920	913,722	956,677	964,445
TOTAL ASSETS	861,812	950,358	993,790	1,001,200
LIABILITIES				
Trade and other payables	9,608	10,143	10,143	10,238
Provisions	149	40	41	42
Employee benefit liabilities	2,497	2,578	2,578	2,630
Borrowings	3,842	49,249	49,366	56,352
Derivative financial instruments	11	188	188	188
Current liabilities	16,107	62,198	62,316	69,450
Provisions	646	848	807	765
Employment benefit liabilities	1,238	1,231	1,231	1,256
Borrowings	101,922	50,500	50,500	50,500
Derivative financial instruments	1,111	521	521	521
Non-current liabilities	104,917	53,100	53,059	53,042
TOTAL LIABILITIES	121,024	115,298	115,375	122,492
EQUITY				
Retained earnings	396,521	396,500	393,185	393,994
Restricted reserves	22,560	27,300	27,858	27,342
Hedging reserves	(1,122)	(501)	(501)	(501)
Carbon credit revaluation reserves	0	335	335	335
Asset revaluation reserves	322,829	411,426	457,538	457,538
TOTAL EQUITY	740,788	835,060	878,415	878,708
TOTAL LIABILITIES AND EQUITY	861,812	950,358	993,790	1,001,200



2020/21 (\$000)	2021/22 (\$000)	2022/23 (\$000)	2023/24 (\$000)	2024/25 (\$000)	2025/26 (\$000)	2026/27 (\$000)	2027/28 (\$000)
1,083	1,083	1,083	1,083	1,083	1,083	1,083	1,083
7,356	7,518	7,691	7,872	8,061	8,261	8,478	8,707
786	804	822	841	861	883	906	930
28,566	29,820	31,851	33,906	36,270	39,613	42,854	43,450
37,791	39,225	41,447	43,702	46,275	49,840	53,321	54,170
858,740	917,235	913,076	910,370	982,056	976,555	971,591	1,059,616
910	910	910	910	910	910	910	910
3,863	3,948	4,039	4,132	4,231	4,337	4,449	4,570
41,012	41,914	42,878	43,864	44,917	46,040	47,237	48,513
36,069	36,069	36,069	36,069	36,069	36,069	36,069	36,069
34,555	34,555	34,555	34,555	34,555	34,555	34,555	34,555
975,149	1,034,631	1,031,527	1,029,900	1,102,738	1,098,466	1,094,811	1,184,233
1,012,940	1,073,856	1,072,974	1,073,602	1,149,013	1,148,306	1,148,132	1,238,403
10,335	10,435	10,546	10,659	10,784	10,922	11,071	11,237
43	44	45	46	47	48	49	51
2,682	2,736	2,791	2,846	2,903	2,961	3,021	3,081
70,843	82,347	90,219	88,753	93,377	91,707	89,069	81,857
188	188	188	188	188	188	188	188
84,091	95,750	103,789	102,492	107,299	105,826	103,398	96,414
723	679	634	589	542	493	444	393
1,281	1,306	1,332	1,359	1,386	1,414	1,442	1,471
50,500	50,500	50,500	50,500	50,500	50,500	50,500	50,500
521	521	521	521	521	521	521	521
53,025	53,006	52,987	52,969	52,949	52,928	52,907	52,885
137,116	148,756	156,776	155,461	160,248	158,754	156,305	149,299
390,249	393,565	382,631	382,520	371,371	368,815	367,850	371,056
28,203	29,457	31,489	33,543	35,908	39,251	42,491	43,088
(501)	(501)	(501)	(501)	(501)	(501)	(501)	(501)
335	335	335	335	335	335	335	335
457,538	502,244	502,244	502,244	581,652	581,652	581,652	675,126
875,824	925,100	916,198	918,141	988,765	989,552	991,827	1,089,104
1,012,940	1,073,856	1,072,974	1,073,602	1,149,013	1,148,306	1,148,132	1,238,403

* Annual Plan (Restated) 2017/18 represents the Annual Plan 2017/18 including adjustments for actuals from Annual Report 2016/17 and large transactions which have occurred during the 2017/18 financial year, which are not included in Annual Plan 2017/18.

Prospective Statement of Comprehensive Revenue & Expense

	Annual Plan	Annual Plan	Long Term Plan 2018 - 2028	
	2017/18 (\$000)	(Restated)* 2017/18 (\$000)	2018/19 (\$000)	2019/20 (\$000)
REVENUE				
Rates revenue excluding targeted water supply rates	42,520	42,520	44,892	46,306
Rates revenue - targeted water supply rates	7,548	7,548	7,634	7,867
Fines	0	519	486	497
Subsidies and grants	0	7,344	7,859	9,869
Direct charges revenue	0	19,542	19,093	19,962
Rental revenue	0	2,453	3,028	3,120
Other revenue	37,132	2,465	2,295	2,462
Finance revenue	2,070	2,070	2,127	2,343
Dividends	0	5,850	5,850	6,000
Total revenue	89,270	90,311	93,264	98,426
EXPENSES				
Employee expenses	24,502	24,602	24,774	25,277
Depreciation and amortisation	22,081	22,081	27,098	27,863
Other expenses	40,878	41,450	40,697	41,172
Finance expenses	4,323	4,323	4,293	4,764
Total expenses	91,784	92,456	96,862	99,076
Surplus / (deficit) before tax	(2,514)	(2,145)	(3,598)	(650)
Income tax expense	0	0	0	0
Surplus / (deficit) after tax	(2,514)	(2,145)	(3,598)	(650)
OTHER COMPREHENSIVE REVENUE AND EXPENSE				
Property, plant and equipment revaluations gain / (loss)	0	0	46,112	0
Investment property revaluations - gain / (loss)	720	720	768	862
Forestry assets revaluations - gain / (loss)	0	0	73	81
Total other comprehensive revenue & expense	720	720	46,953	943
Total comprehensive revenue & expense	(1,794)	(1,425)	43,355	293



2020/21 (\$000)	2021/22 (\$000)	2022/23 (\$000)	2023/24 (\$000)	2024/25 (\$000)	2025/26 (\$000)	2026/27 (\$000)	2027/28 (\$000)
47,831	49,486	51,970	54,368	56,413	58,243	60,868	62,454
8,255	8,531	9,031	9,473	9,790	10,341	11,204	11,813
508	519	531	543	556	570	585	601
7,077	17,151	7,211	10,594	7,430	7,589	7,818	7,996
21,802	22,422	22,818	24,426	25,686	26,416	27,043	27,830
3,191	3,264	3,340	3,418	3,500	3,586	3,677	3,772
1,862	1,898	1,935	1,974	2,014	2,058	2,104	2,153
2,557	2,588	2,707	3,026	3,108	3,278	3,699	3,845
6,200	6,450	6,725	7,000	7,275	7,550	7,875	8,200
99,283	112,309	106,268	114,822	115,772	119,631	124,873	128,664
26,340	26,869	27,446	29,045	29,745	30,351	30,963	31,592
28,995	29,989	30,649	31,415	32,721	33,427	34,344	35,350
41,992	45,332	50,972	45,523	55,190	48,072	49,878	50,907
5,804	6,536	7,158	7,975	8,052	8,223	8,723	8,407
103,131	108,726	116,225	113,958	125,708	120,073	123,908	126,256
(3,848)	3,583	(9,957)	864	(9,936)	(442)	965	2,408
0	0	0	0	0	0	0	0
(3,848)	3,583	(9,957)	864	(9,936)	(442)	965	2,408
0	44,706	0	0	79,408	0	0	93,474
881	902	964	986	1,053	1,123	1,197	1,275
83	85	91	93	99	106	113	120
964	45,693	1,055	1,079	80,560	1,229	1,310	94,869
(2,884)	49,276	(8,902)	1,943	70,624	787	2,275	97,277

* Annual Plan (Restated) 2017/18 represents the Annual Plan 2017/18 including adjustments for actuals from Annual Report 2016/17 and large transactions which have occurred during the 2017/18 financial year, which are not included in Annual Plan 2017/18.

Prospective Statement of Changes in Equity

	Annual Plan	Annual Plan	Long Term Plan 2018 - 2028	
	2017/18 (\$000)	(Restated)* 2017/18 (\$000)	2018/19 (\$000)	2019/20 (\$000)
Balance at 1 July	742,582	836,485	835,060	878,415
Total comprehensive revenue & expense for the year	(1,794)	(1,425)	43,355	293
Balance at 30 June	740,788	835,060	878,415	878,708
COMPONENTS OF EQUITY				
Retained earnings at 1 July	395,916	393,975	396,500	393,185
Net surplus/(deficit) for the year	(1,794)	(1,425)	43,355	293
Transfers (to)/from restricted reserves	2,399	3,950	(558)	516
Transfers (to) /from hedging reserves	0	0	0	0
Transfers (to) /from carbon credit revaluation reserves	0	0	0	0
Transfers (to)/from asset revaluation reserves	0	0	(46,112)	0
Retained earnings at 30 June	396,521	396,500	393,185	393,994
Restricted reserves at 1 July	24,959	31,250	27,300	27,858
Transfers to/(from) reserves	(2,399)	(3,950)	558	(516)
Restricted reserves at 30 June	22,560	27,300	27,858	27,342
Hedging reserves at 1 July	(1,122)	(501)	(501)	(501)
Transfers to/(from) reserves	0	0	0	0
Hedging reserves at 30 June	(1,122)	(501)	(501)	(501)
Carbon credit revaluation reserves at 1 July	0	335	335	335
Transfers to/(from) reserves	0	0	0	0
Carbon credit revaluation reserves at 30 June	0	335	335	335
Asset revaluation reserves at 1 July	322,829	411,426	411,426	457,538
Transfers to/(from) reserves	0	0	46,112	0
Asset revaluation reserves at 30 June	322,829	411,426	457,538	457,538



2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)
878,708	875,824	925,100	916,198	918,141	988,765	989,552	991,827
(2,884)	49,276	(8,902)	1,943	70,624	787	2,275	97,277
875,824	925,100	916,198	918,141	988,765	989,552	991,827	1,089,104
393,994	390,249	393,565	382,631	382,520	371,371	368,815	367,850
(2,884)	49,276	(8,902)	1,943	70,624	787	2,275	97,277
(861)	(1,254)	(2,032)	(2,054)	(2,365)	(3,343)	(3,240)	(597)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	(44,706)	0	0	(79,408)	0	0	(93,474)
390,249	393,565	382,631	382,520	371,371	368,815	367,850	371,056
27,342	28,203	29,457	31,489	33,543	35,908	39,251	42,491
861	1,254	2,032	2,054	2,365	3,343	3,240	597
28,203	29,457	31,489	33,543	35,908	39,251	42,491	43,088
(501)	(501)	(501)	(501)	(501)	(501)	(501)	(501)
0	0	0	0	0	0	0	0
(501)	(501)	(501)	(501)	(501)	(501)	(501)	(501)
335	335	335	335	335	335	335	335
0	0	0	0	0	0	0	0
335	335	335	335	335	335	335	335
457,538	457,538	502,244	502,244	502,244	581,652	581,652	581,652
0	44,706	0	0	79,408	0	0	93,474
457,538	502,244	502,244	502,244	581,652	581,652	581,652	675,126

* Annual Plan (Restated) 2017/18 represents the Annual Plan 2017/18 including adjustments for actuals from Annual Report 2016/17 and large transactions which have occurred during the 2017/18 financial year, which are not included in Annual Plan 2017/18.

Prospective Statement of Cashflows

	Annual Plan	Annual Plan	Long Term Plan 2018 - 2028	
	2017/18 (\$000)	(Restated)* 2017/18 (\$000)	2018/19 (\$000)	2019/20 (\$000)
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from rates revenue	50,068	50,068	52,526	54,173
Receipts from other revenue	29,447	30,488	31,096	34,091
Interest received	2,070	2,070	2,127	2,343
Dividend received	5,850	5,850	5,850	6,000
Payments to suppliers and employees	(63,627)	(64,257)	(63,846)	(64,671)
Interest paid	(4,323)	(4,323)	(4,293)	(4,764)
Net cash flows from operating activities	19,485	19,896	23,460	27,172
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from				
Proceeds from sale of property, plant and equipment	156	1,959	318	193
Proceeds from sale of investments	6,020	7,571	5,378	5,028
Purchase of property, plant and equipment	(22,045)	(43,792)	(23,267)	(33,126)
Purchase of biological assets	0	(200)	0	0
Purchase of intangible assets	0	(40)	(70)	(74)
Purchase of investment property	0	0	0	0
Purchase of investments	(4,112)	(4,112)	(6,091)	(4,593)
Net cash flows from investing activities	(19,981)	(38,614)	(23,732)	(32,572)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	3,595	19,785	3,594	9,159
Repayments of borrowings	(3,181)	(3,418)	(3,477)	(3,840)
Net cash flows from financing activities	414	16,367	117	5,319
Net (decrease) increase in cash and cash equivalents	(82)	(2,351)	(155)	(81)
Cash and cash equivalents at the beginning of the year	8,468	3,681	1,330	1,175
Cash and cash equivalents at end of the year	8,385	1,330	1,175	1,094



2020/21 (\$000)	2021/22 (\$000)	2022/23 (\$000)	2023/24 (\$000)	2024/25 (\$000)	2025/26 (\$000)	2026/27 (\$000)	2027/28 (\$000)
56,086	58,017	61,001	63,841	66,203	68,584	72,072	74,267
33,236	44,028	34,589	39,685	37,892	38,900	39,881	40,978
2,557	2,588	2,707	3,026	3,108	3,278	3,699	3,845
6,200	6,450	6,725	7,000	7,275	7,550	7,875	8,200
(67,169)	(71,018)	(77,213)	(73,345)	(83,689)	(77,150)	(79,544)	(81,173)
(5,804)	(6,536)	(7,158)	(7,975)	(8,052)	(8,223)	(8,723)	(8,407)
25,106	33,529	20,651	32,232	22,737	32,939	35,260	37,710
194	271	160	145	270	168	174	280
3,865	3,931	3,368	3,690	3,999	3,469	4,101	7,194
(38,748)	(40,055)	(26,568)	(28,771)	(25,179)	(28,005)	(29,466)	(30,090)
0	0	0	0	0	0	0	0
(78)	(81)	(83)	(86)	(87)	(89)	(90)	(91)
(104)	0	0	0	0	0	0	0
(4,737)	(5,185)	(5,400)	(5,744)	(6,364)	(6,812)	(7,341)	(7,791)
(39,608)	(41,119)	(28,523)	(30,766)	(27,361)	(31,269)	(32,622)	(30,498)
18,740	12,366	13,087	3,924	9,952	5,278	5,415	2,252
(4,249)	(4,776)	(5,215)	(5,390)	(5,328)	(6,948)	(8,053)	(9,464)
14,491	7,590	7,872	(1,466)	4,624	(1,670)	(2,638)	(7,212)
(11)	0	0	0	0	0	0	0
1,094	1,083	1,083	1,083	1,083	1,083	1,083	1,083
1,083	1,083	1,083	1,083	1,083	1,083	1,083	1,083

* Annual Plan (Restated) 2017/18 represents the Annual Plan 2017/18 including adjustments for actuals from Annual Report 2016/17 and large transactions which have occurred during the 2017/18 financial year, which are not included in Annual Plan 2017/18.

Financial Statement Reconciliations

Rates Revenue Reconciliation from Funding Impact Statements to Statement of Comprehensive Revenue & Expense

	Annual Plan	Long Term Plan 2018 - 2028	
	2017/18 (\$000)	2018/19 (\$000)	2019/20 (\$000)
Roading	8,041	7,769	8,270
Sewerage	5,609	5,848	6,023
Solid Waste Management	4,295	4,295	4,390
Stormwater	3,489	4,040	4,286
Water Supply	7,548	7,634	7,867
Infrastructural Services	28,982	29,586	30,836
Development and Regulatory Services	3,182	3,442	3,672
Community Development	429	438	463
Housing Care Services	0	0	0
Libraries and Archives	4,035	4,162	4,249
Parks and Reserves	6,182	6,350	6,440
Public Transport	680	752	930
Pools	2,183	2,433	2,296
Public Toilets	343	386	395
Theatre Services	966	1,040	1,073
Southland Museum & Art Gallery	0	0	0
Southland Regional Heritage Committee	866	885	902
Venture Southland	1,805	1,958	2,059
Provision of Specialised Community Services	2,595	3,559	3,305
Community Services Group	20,084	21,963	22,112



2020/21 (\$000)	2021/22 (\$000)	2022/23 (\$000)	2023/24 (\$000)	2024/25 (\$000)	2025/26 (\$000)	2026/27 (\$000)	2027/28 (\$000)
8,067	8,852	8,814	9,007	9,221	9,669	10,104	10,691
6,521	6,580	7,202	7,554	7,625	7,889	8,132	8,436
4,711	4,915	5,026	5,385	5,612	5,748	6,513	6,697
4,519	4,401	4,933	5,407	5,919	6,402	6,883	7,404
8,255	8,531	9,031	9,473	9,790	10,341	11,204	11,813
32,073	33,279	35,006	36,826	38,167	40,049	42,836	45,041
3,756	3,870	3,974	4,104	4,092	4,280	4,317	4,407
472	479	489	504	513	523	534	552
0	0	0	0	0	0	0	0
4,333	4,424	4,519	4,615	4,717	4,822	4,931	5,046
6,960	6,905	6,980	7,229	7,513	7,347	7,823	7,698
935	877	946	960	1,018	1,064	1,028	1,056
2,420	2,586	2,757	2,956	3,056	3,124	3,255	3,331
404	411	420	431	433	436	447	459
1,215	1,257	1,286	1,315	1,347	1,321	1,355	1,391
0	0	0	0	0	0	0	0
944	962	981	1,001	1,389	1,784	1,836	1,862
2,110	2,147	2,184	2,223	2,264	2,307	2,351	2,399
3,345	3,480	3,703	4,064	4,315	4,353	4,426	4,467
23,138	23,528	24,265	25,298	26,565	27,081	27,986	28,261

Rates Revenue Reconciliation from Funding Impact Statements to Statement of Comprehensive Revenue & Expense - Continued

	Annual Plan	Long Term Plan 2018 - 2028	
	2017/18 (\$000)	2018/19 (\$000)	2019/20 (\$000)
Democratic Process	3,124	3,346	3,438
Investment Property	(329)	(426)	(255)
Corporate Services Group	2,795	2,920	3,183
City Centre Revitalisation	164	129	132
Arts and Creativity and Living Dinosaurs	0	168	368
Special Projects	164	297	500
Non significant activities	(4,509)	(5,052)	(5,486)
Total general rates, uniform annual general charges, targeted rates, and rates penalties - per FIS	50,698	53,156	54,817
Less rates penalties (disclosed in other revenue in statement of comprehensive revenue and expense)	(630)	(630)	(644)
Total rates (excluding rates penalties) - per FIS	50,068	52,526	54,173
Per statement of comprehensive revenue and expense:			
Rates revenue excluding targeted water supply rates	42,520	44,892	46,306
Rates revenue - targeted water supply rates	7,548	7,634	7,867
"Rates revenue" (SOCRAE "Rates" excludes Rates Penalties)	50,068	52,526	54,173



2020/21 (\$000)	2021/22 (\$000)	2022/23 (\$000)	2023/24 (\$000)	2024/25 (\$000)	2025/26 (\$000)	2026/27 (\$000)	2027/28 (\$000)
3,534	3,578	3,674	3,776	3,824	3,930	4,040	4,098
(256)	(290)	(334)	(325)	(375)	(424)	(428)	(483)
3,278	3,288	3,340	3,451	3,449	3,506	3,612	3,615
137	299	461	480	479	479	496	496
238	528	1,001	998	1,047	1,095	1,081	1,035
375	827	1,462	1,478	1,526	1,574	1,577	1,531
(5,876)	(6,102)	(6,358)	(6,612)	(6,875)	(7,167)	(7,498)	(7,810)
56,744	58,690	61,689	64,545	66,924	69,323	72,830	75,045
(658)	(673)	(688)	(704)	(721)	(739)	(758)	(778)
56,086	58,017	61,001	63,841	66,203	68,584	72,072	74,267
47,831	49,486	51,970	54,368	56,413	58,243	60,868	62,454
8,255	8,531	9,031	9,473	9,790	10,341	11,204	11,813
56,086	58,017	61,001	63,841	66,203	68,584	72,072	74,267

Operating Revenue Reconciliation from Funding Impact Statements to Statement of Comprehensive Revenue & Expense

	Annual Plan	Long Term Plan 2018 - 2028	
	2017/18 (\$000)	2018/19 (\$000)	2019/20 (\$000)
Roading	11,893	11,689	12,220
Sewerage	6,284	6,523	6,713
Solid Waste Management	8,569	8,558	8,747
Stormwater	3,489	4,040	4,286
Water Supply	8,987	9,164	9,524
Infrastructural Services	39,222	39,974	41,490
Development and Regulatory Services	8,159	10,277	10,625
Community Development	431	476	491
Housing Care Services	1,797	1,912	1,979
Libraries and Archives	4,973	5,164	5,273
Parks and Reserves	16,477	16,696	17,015
Public Transport	2,066	2,386	2,597
Pools	5,750	6,276	6,583
Public Toilets	343	386	395
Theatre Services	1,886	2,038	2,103
Southland Museum & Art Gallery	2,985	2,564	2,636
Southland Regional Heritage Committee	1,198	1,463	1,461
Venture Southland	3,154	2,851	3,117
Provision of Specialised Community Services	2,760	3,888	3,645
Community Services Group	43,820	46,100	47,295



2020/21 (\$000)	2021/22 (\$000)	2022/23 (\$000)	2023/24 (\$000)	2024/25 (\$000)	2025/26 (\$000)	2026/27 (\$000)	2027/28 (\$000)
12,060	12,877	12,894	13,188	13,501	14,058	14,607	15,315
7,226	7,301	7,939	8,308	8,397	8,680	8,943	9,270
9,163	9,466	9,681	10,147	10,489	10,746	11,810	12,138
4,519	4,401	4,933	5,407	5,919	6,402	6,883	7,404
10,043	10,455	11,000	11,487	11,852	12,455	13,373	14,040
43,011	44,500	46,447	48,537	50,158	52,341	55,616	58,167
10,867	11,158	11,392	11,694	11,880	12,218	12,453	12,773
500	482	492	507	516	526	537	555
2,025	2,072	2,120	2,171	2,223	2,277	2,333	2,393
5,379	5,494	5,613	5,734	5,863	5,997	6,137	6,285
17,768	17,949	18,278	18,789	19,349	19,479	20,270	20,481
2,491	2,446	2,499	2,529	2,620	2,697	2,704	2,777
6,874	7,248	7,608	8,056	8,986	9,198	9,545	9,787
404	411	420	431	433	436	447	459
2,386	2,469	2,525	2,583	2,645	2,592	2,659	2,730
2,690	2,739	2,593	3,736	4,035	4,127	4,220	4,319
1,436	1,462	1,489	1,517	1,915	2,319	2,381	2,418
2,620	2,666	2,711	2,760	2,811	2,864	2,919	2,978
3,688	3,831	4,061	4,431	4,690	4,738	4,821	4,873
48,261	49,269	50,409	53,244	56,086	57,250	58,973	60,055

Operating Revenue Reconciliation from Funding Impact Statements to Statement of Comprehensive Revenue & Expense - Continued

	Annual Plan	Long Term Plan 2018 - 2028	
	2017/18 (\$000)	2018/19 (\$000)	2019/20 (\$000)
Democratic Process	3,777	4,027	4,132
Investment Property	1,614	2,081	2,306
Corporate Services Group	5,391	6,108	6,438
City Centre Revitalisation	164	129	132
Arts and Creativity and Living Dinosaurs	0	168	368
Special Projects	164	297	500
Non significant activities	19,119	21,173	21,622
Total operating funding - per activity FIS's	115,875	123,929	127,970
LESS: Internal charges and overheads recovered - Per FIS	(29,765)	(34,783)	(35,675)
Total operating funding - per council FIS	86,110	89,146	92,295
PLUS: Capital funding - "subsidies and grants for capital expenditure"	3,160	4,118	6,131
Total revenue - per statement of comprehensive revenue and expense	89,270	93,264	98,426
Per statement of comprehensive revenue and expense:			
Rates revenue excluding targeted water supply rates	42,520	44,892	46,306
Rates revenue - targeted water supply rates	7,548	7,634	7,867
Fines	0	486	497
Subsidies and grants	0	7,859	9,869
Direct charges revenue	0	19,093	19,962
Rental revenue	0	3,028	3,120
Other revenue	37,132	2,295	2,462
Finance revenue	2,070	2,127	2,343
Dividends	0	5,850	6,000
Total revenue	89,270	93,264	98,426



2020/21 (\$000)	2021/22 (\$000)	2022/23 (\$000)	2023/24 (\$000)	2024/25 (\$000)	2025/26 (\$000)	2026/27 (\$000)	2027/28 (\$000)
4,239	4,295	4,407	4,522	4,584	4,708	4,834	4,908
2,358	2,374	2,390	2,462	2,478	2,499	2,571	2,596
6,597	6,669	6,797	6,984	7,062	7,207	7,405	7,504
137	299	461	480	479	479	496	496
1,625	1,978	2,519	2,587	2,714	2,845	2,921	2,973
1,762	2,277	2,980	3,067	3,193	3,324	3,417	3,469
22,014	22,525	23,196	23,908	24,502	25,261	26,101	26,832
132,512	136,398	141,221	147,434	152,881	157,601	163,965	168,800
(36,684)	(37,647)	(38,581)	(39,603)	(40,854)	(41,791)	(43,044)	(44,162)
95,828	98,751	102,640	107,831	112,027	115,810	120,921	124,638
3,455	13,558	3,628	6,991	3,745	3,821	3,952	4,026
99,283	112,309	106,268	114,822	115,772	119,631	124,873	128,664
47,831	49,486	51,970	54,368	56,413	58,243	60,868	62,454
8,255	8,531	9,031	9,473	9,790	10,341	11,204	11,813
508	519	531	543	556	570	585	601
7,077	17,151	7,211	10,594	7,430	7,589	7,818	7,996
21,802	22,422	22,818	24,426	25,686	26,416	27,043	27,830
3,191	3,264	3,340	3,418	3,500	3,586	3,677	3,772
1,862	1,898	1,935	1,974	2,014	2,058	2,104	2,153
2,557	2,588	2,707	3,026	3,108	3,278	3,699	3,845
6,200	6,450	6,725	7,000	7,275	7,550	7,875	8,200
99,283	112,309	106,268	114,822	115,772	119,631	124,873	128,664

Operating Expenditure Reconciliation from Funding Impact Statements to Statement of Comprehensive Revenue & Expense

	Annual Plan	Long Term Plan 2018 - 2028	
	2017/18 (\$000)	2018/19 (\$000)	2019/20 (\$000)
Total Applications of Operating Funding - per FIS			
Roading	7,166	6,924	6,988
Sewerage	3,472	3,339	3,389
Solid Waste Management	8,469	8,498	8,686
Stormwater	1,507	1,797	1,838
Water Supply	5,483	5,498	5,681
Infrastructural Services	26,097	26,056	26,582
Development and Regulatory Services	8,058	10,280	10,544
Community Development	426	472	482
Housing Care Services	1,613	1,669	1,697
Libraries and Archives	4,273	4,400	4,489
Parks and Reserves	15,389	15,445	15,772
Public Transport	2,041	2,320	2,216
Pools	5,455	5,860	6,197
Public Toilets	295	331	338
Theatre Services	1,446	1,548	1,610
Southland Museum & Art Gallery	2,719	2,520	2,591
Southland Regional Heritage Committee	1,198	1,463	1,461
Venture Southland	3,154	2,851	3,117
Provision of Specialised Community Services	2,746	3,801	3,556
Community Services Group	40,755	42,680	43,526
Democratic Process	3,748	3,930	4,010
Investment Property	2,015	1,951	2,008
Corporate Services Group	5,763	5,881	6,018
City Centre Revitalisation	104	78	79
Arts and Creativity and Living Dinosaurs	500	165	305
Special Projects	604	243	384



2020/21 (\$000)	2021/22 (\$000)	2022/23 (\$000)	2023/24 (\$000)	2024/25 (\$000)	2025/26 (\$000)	2026/27 (\$000)	2027/28 (\$000)
7,120	7,396	7,608	7,762	7,890	8,142	8,327	8,527
3,712	3,972	4,201	4,550	4,327	4,340	4,387	4,350
9,101	9,302	9,516	9,980	10,221	10,476	11,538	11,860
1,942	2,086	2,182	2,319	2,381	2,426	2,485	2,483
6,021	6,420	6,589	6,815	6,874	7,068	7,526	7,691
27,896	29,176	30,096	31,426	31,693	32,452	34,263	34,911
10,738	10,995	11,184	11,480	11,668	11,976	12,203	12,512
493	476	486	495	506	518	529	540
1,734	1,774	1,813	1,855	1,900	1,948	1,996	2,052
4,585	4,670	4,759	4,859	4,952	5,050	5,157	5,293
16,210	16,556	16,916	17,306	17,703	18,111	18,547	19,002
2,389	2,342	2,423	2,451	2,508	2,600	2,638	2,709
6,430	6,659	6,926	7,340	8,183	8,343	8,608	8,783
346	351	357	365	371	378	387	396
1,791	1,815	1,823	1,843	1,871	1,861	1,909	1,951
2,641	2,691	2,544	3,684	3,979	4,070	4,164	4,261
1,436	1,462	1,489	1,517	10,381	2,081	2,141	2,162
2,620	2,666	2,711	2,760	2,811	2,864	2,919	2,978
3,598	6,200	10,786	4,059	4,294	4,318	4,388	4,410
44,273	47,662	53,033	48,534	59,459	52,142	53,383	54,537
4,320	4,175	4,262	4,596	4,444	4,540	4,903	4,747
2,110	2,110	2,109	2,208	2,205	2,207	2,301	2,305
6,430	6,285	6,371	6,804	6,649	6,747	7,204	7,052
84	188	288	305	293	282	292	279
1,362	1,633	2,103	2,158	2,195	2,229	2,273	2,282
1,446	1,821	2,391	2,463	2,488	2,511	2,565	2,561

Operating Expenditure Reconciliation from Funding Impact Statements to Statement of Comprehensive Revenue & Expense - Continued

	Annual Plan	Long Term Plan 2018 - 2028	
	2017/18 (\$000)	2018/19 (\$000)	2019/20 (\$000)
Non significant activities	18,191	19,447	19,875
Total Applications of Operating Funding - Per Activity FIS's	99,468	104,587	106,929
LESS: Internal charges and overheads recovered - Per FIS's	(29,765)	(34,783)	(35,675)
Total Applications of Operating Funding - Per Council FIS	69,703	69,804	71,254
LESS: Landfill aftercare provision used - Solid Waste activity		(40)	(41)
PLUS: Depreciation expenses (not in FIS)	22,081	27,098	27,863
Total expenses - per statement of comprehensive revenue and expense	91,784	96,862	99,076
Per statement of comprehensive revenue and expense:			
Employee expenses	24,502	24,774	25,277
Depreciation and amortisation	22,081	27,098	27,863
Other expenses	40,878	40,697	41,172
Finance expenses	4,323	4,293	4,764
Total expenses	91,784	96,862	99,076



2020/21 (\$000)	2021/22 (\$000)	2022/23 (\$000)	2023/24 (\$000)	2024/25 (\$000)	2025/26 (\$000)	2026/27 (\$000)	2027/28 (\$000)
20,079	20,488	21,126	21,484	21,930	22,656	23,038	23,545
110,862	116,427	124,201	122,191	133,887	128,484	132,656	135,118
(36,684)	(37,647)	(38,581)	(39,603)	(40,854)	(41,791)	(43,044)	(44,162)
74,178	78,780	85,620	82,588	93,033	86,693	89,612	90,956
(42)	(43)	(44)	(45)	(46)	(47)	(48)	(50)
28,995	29,989	30,649	31,415	32,721	33,427	34,344	35,350
103,131	108,726	116,225	113,958	125,708	120,073	123,908	126,256
26,340	26,869	27,446	29,045	29,745	30,351	30,963	31,592
28,995	29,989	30,649	31,415	32,721	33,427	34,344	35,350
41,992	45,332	50,972	45,523	55,190	48,072	49,878	50,907
5,804	6,536	7,158	7,975	8,052	8,223	8,723	8,407
103,131	108,726	116,225	113,958	125,708	120,073	123,908	126,256

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. As at 30 June 2017, the Council holds \$31.3 million reserves, with \$14.6 million 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 2018/19 (\$,000)	Transfers In 2018/19 to 2027/28 (\$,000)	Transfers Out 2018/19 to 2027/28 (\$,000)	Closing Balance 2027/28 (\$,000)
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.	125	37	-	162
Category B (Capital only restriction) These reserves are invested in property that provides a financial return to ratepayers (Investment Property, Library and Infrastructure activities)	4,316	1,348	(104)	5,560
Category C (Specific purpose) These reserves are to maintain and provide for improvements to separately identifiable areas. (Parks Crematorium and Cemetary, Community Centres, Waste and Infrastructure activities)	8,984	6,824	(1,901)	13,907



NON RESTRICTED RESERVES

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

	Opening Balance 2018/19 (\$,000)	Transfers In 2018/19 to 2027/28 (\$,000)	Transfers Out Out 2018/19 to 2027/28 (\$,000)	Closing Balance 2027/28 (\$,000)
Loss of Service Potential To set aside funds for the replacement of assets in the future. (All activities)	9,333	38,419	(26,479)	21,273
Development To maintain and provide assets in identifiable areas. (Parks, Roading, and Water activities)	3,966	838	(1,682)	3,122
Property To provide for the purchase of properties. (Investment Property, and Infrastructure activities)	809	241	-	1,050
Amenities To provide funding for the ongoing operations of amenity areas. (Library, Museum, Pools, and Parks activities)	334	323	(267)	390
Financial To provide ongoing funding in a consistent manner for Council operations. (All activities)	8,828	5,122	(4,746)	9,204
Community Board To provide funding for Community Board areas for their activities and development of assets. (Democratic Process Activity)	122	36	-	158
Economic Development To develop economic growth in the city which will be funded by future activity (Investment Property activity)	(9,517)	3,682	(5,903)	(11,738)
	27,300	56,870	(41,082)	43,088

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 the 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 Tier 1 PBE accounting standards.

These financial statements comply with the PBE standards.

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 the going concern basis.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructure 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) unless otherwise stated. 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 Revenue and Expense.

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 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 presumed, 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, revenue and expenses on a line-by-line basis. All significant intragroup balances, transactions, revenue 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 use the equity methods. 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 is recognised in the Council's Statement of Comprehensive Revenue and Expenses 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 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 Council's share of the surplus or deficit of the joint venture is recognised in the Council's Statement of Comprehensive Revenue and Expenses, from the date joint control commences until the date 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 Expenses.

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 are 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 Revenue and Expenses.

Fines

Traffic and parking infringements are recognised when tickets are issued.

Direct charges - subsidised

(i) Rendering of services

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 revenue 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 revenue 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 revenue 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 involved with the goods.

Interest Revenue

Interest revenue 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 Council's construction activities in general.

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

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 occurred.

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 surplus/deficit in the Statement of Comprehensive Revenue and Expenses, 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 surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

Financial assets

The Council classify their financial assets into the following four categories: loans and receivables, held-to-maturity investments, available for sale 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 delegation 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 use a variety of methods and make 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 surplus/deficit in the Statement of Comprehensive Revenue and Expenses. 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**

Held-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 re-measurement are recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

- **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 surplus/deficit in the Statement of Comprehensive Revenue and Expenses. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses 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

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 (PS Consolidated and Separate Financial Statements (Public Sector) 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 of financial assets is impaired. Any impairment losses are recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses

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 Revenue and Expenses 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 use derivative financial instruments to hedge exposure to interest rate risks arising from financing activities. In accordance with its treasury

policy, the Council do 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 re-measured 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 are 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.

The cost of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

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 surplus/deficit in the Statement of Comprehensive Revenue and Expenses. 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 and diminishing value 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		6.7% - 50% DV
Office Equipment		
▪ Office Equipment		14.4% - 60% SL/DV
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% - 13% SL
Features and Structures		4.6% - 6% SL
Roads		
▪ Formation		0%
▪ Shoulder and Pavements		3.5% SL
▪ Top Surface		10.35% SL
Drainage and Stormwater		
▪ System		1.70% - 2.77%
▪ Plant		4.09% - 5.71%
▪ Buildings		2.91% - 4.34%
Water		
▪ System		1.03% - 12.55%
▪ Plant		3.38% - 9.14%

Plant	
Plant	6% - 60% 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 after the next valuation as at 30 June 2019.
- Restricted land (excluding forestry land) and buildings have been valued at deemed cost. This fair value is the net current value by Quotable Value New Zealand (Registered Valuers) as at 30 June 1992.
- Library collections are valued at depreciated replacement cost as at 30 June 2017. Valuations are completed three yearly after the next valuation as at 30 June 2019.
- Forest land is revalued to fair value and carried at valuation and is not depreciated. The fair value is determined by independent registered valuers based on the highest and best use of the land. 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. 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 Land revaluation will occur every three years, unless circumstances require otherwise. New Zealand units received from the government are recognised at cost in the financial statements, which is nil value.

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 after the next valuation as at 30 June 2019.

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 after the next valuation as at 30 June 2019.

Vested assets

Certain infrastructure assets and land have been vested in the Council as part of the subdivisional consent process.

The vested reserve land has been valued at deemed cost. Deemed cost is the fair value being the current valuation at 30 June 2005. This fair value is the 2005 Beca Rating Valuation.

Vested infrastructural assets have been valued based on the actual quantities of infrastructural components vested and current "in the ground" cost of providing identical services. Unless there is a use or return condition attached to the asset.

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 replacement costs where appropriate, reflect optimisation due to design or surplus capacity. The Council has estimated that the necessary infrastructural asset network capacity to service the Invercargill City area is on 100% of the existing capacity, i.e no surplus capacity. The valuation of these assets therefore assumes the existing assets will be replaced with assets of similar capacity.

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 surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

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

Intangible assets

Carbon Credits Intangible Asset

Carbon credits intangible assets that are acquired by Council have been measured at fair value upon acquisition and subsequently revalued to fair value annually. Any revaluation gain/losses are recognised in other Comprehensive Revenue and Expense.

Other intangible assets

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 surplus/deficit in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses 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 12.5-48% 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 surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

The costs to maintain the forestry assets are included in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

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 surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

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 assets 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 surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.



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 the Statement of Comprehensive Revenue and Expenses, a reversal of the impairment loss is also recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

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

The Council'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 Council's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses 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 Revenue and Expenses as incurred.

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:

Classification of non-financial assets as cash-generating assets or non-cash-generating assets

For the purpose of assessing impairment indicators and impairment testing, Council classifies nonfinancial assets as either cash-generating or non-cash-generating assets. Council classifies a nonfinancial 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.

All property, plant and equipment held by Invercargill City Holdings Limited are classified as cash-generating assets as it is a for-profit entity and the primary objective of its assets is to generate commercial return.

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 Revenue and Expense. 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.

- As a result of rounding there may be slight discrepancies in subtotals and the financial statement in section 5 and funding impact statements.

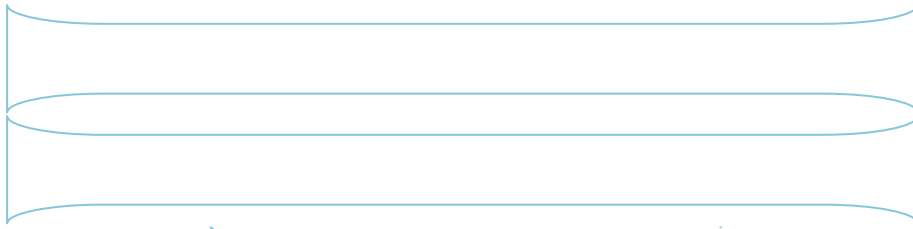
Changes in accounting policies

There have been no changes in accounting policies during the period. All accounting policies have been consistently applied throughout the period covered by these financial statements.

Prospective financial information

The financial information contained within this document is prospective financial information in terms of accounting standard FRS42 and complies with the standard. The purpose for which it has been prepared is to enable ratepayers, residents and any other interest parties to obtain information about the expected future financial performance, position and cash flow of the Invercargill City Council. The actual result achieved for any particular financial year is 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.





INVERCARGILL COUNCIL

