SECTION FOUR FINANCIAL STATEMENTS

Tairua/Pauanui taken from Paku Hill

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GUIDE TO FINANCIAL STATEMENTS

Introduction

The Local Government Act 2002 requires the Council to report its actual performance compared to targets published in the Long-term Council Community Plan. We report against both financial and non-financial measures. The main purpose of providing financial statements is to enable stakeholders (residents and ratepayers, other local authorities, business community groups, Government regulatory bodies etc) to assess our performance and make decisions regarding the Council and how it conducts its business.

This information includes the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the accompanying Statement of Accounting Policies and Notes to the Financial Statements. This information must be prepared according to generally accepted accounting practice and recognised accounting standards.

Presentation of Financial Statements

Statement of Accounting Policies

These explain the basis upon which the financial statements are prepared. They explain the methods adopted by the Council used to measure the transactions incorporated into the financial statements above.

Refer to pages 106 to 119.

Statement of Comprehensive Income

The Statement of **Comprehensive Income** shows all of the Council's revenue earned and expenses incurred for the 12 months up to 30 June 2010. Revenue includes income received from rates and other income such as investment income, rent and fees while expenses paid includes costs such as operating costs, interest payments and depreciation.

This statement shows how the surplus or deficit is arrived at. The net surplus or deficit recorded in the Statement of **Comprehensive Income** is added or subtracted from the Council's equity as shown in the Statement of Changes in Equity.

Refer to page 103

Statement of Changes in Equity

This statement provides information about the nature of changes in the Council's equity during the year.

Refer to page 103

Statement of Financial Position

The Statement of Financial Position shows the assets and liabilities of the Council as at 30 June 2010. Assets include cash, accounts receivable (money owed to the Council but not yet received), investments, land, buildings, operational and infrastructural assets.

Current assets are amounts owed to the Council that are expected to be received within the next 12 months while current liabilities are the Council's debts that are due to be paid within the next 12 months.

Investments are the Council funds held in income earning securities while property, plant and equipment are of a permanent nature and are held for the benefit of the community. Non-current liabilities represents money owed by the Council that does not have to be paid within the next 12 months.

Refer to page 104.

Statement of Cash Flows

This statement covers all the inflows and outflows of cash during the year covered by the Statement of **Comprehensive Incom**e. The Statement of Cash Flows identifies the sources and application of cash in respect of the Council's operating, investing and financing activities.

Refer to page 105.

Notes to the Accounts

These notes to the accounts provide further details of what the summarised amounts reported on in the above financial statements are comprised of. The reference to the note is included in the financial statements 'Notes' column, beside the dollar values for the current financial year.

Refer to pages 106 to 167.

Statement of Comprehensive Income

For the year ended 30 June 2010

2009		Notes	2010	
Actual			Budget	Actual
$000's			$000's	$000's
	REVENUE			
9,293	Activity revenue	3	*8,696*	9,140
1,090	Contributions revenue	3	*1,849*	1,871
53	Investment revenue	3	*15*	28
54,241	Rates revenue	3	*57,384*	57,842
6,126	Subsidies revenue	3	*5,728*	5,383
152	Gains	3	*665*	592
3,144	Property vested	3	*5,590*	1,467
74,100	TOTAL REVENUE		*79,928*	76,323
	EXPENDITURE			
14,138	Depreciation and amortisation	4	*17,795*	16,177
12,002	Personnel costs	4	*10,988*	12,472
3,237	Finance costs	4	*3,859*	3,526
36,363	Other direct operating expenses	4	*41,423*	36,703
4,632	Other losses	4	*0*	4,116
70,372	TOTAL EXPENDITURE		*74,065*	72,994
3,727	**SURPLUS FROM OPERATIONS**		***5,862***	**3,329**
0	Share of joint venture surplus/(deficit)	18	*0*	(12)
3,727	**NET SURPLUS FOR THE YEAR**		***5,862***	**3,317**
	OTHER COMPREHENSIVE INCOME			
147,294	Gain on property revaluation	7	*59,055*	20,556
0	Financial assets at fair value through other comprehensive income	18	*0*	67
147,294	TOTAL OTHER COMPREHENSIVE INCOME		*59,055*	20,623
151,021	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**		***64,917***	**23,940**

Statement of Changes in Equity

For the year ended 30 June 2010

2009		Notes	2010	
Actual			Budget	Actual
$000's			$000's	$000's
952,811	Balance at 1 July		*1,039,327*	1,103,832
151,021	Total comprehensive income	7	*64,917*	23,940
151,021	**Total comprehensive income**		*64,917*	23,940
1,103,832	**BALANCE AT 30 JUNE**	**7**	***1,104,244***	**1,127,772**

Statement of Financial Position

As at 30 June 2010

2009 Actual $000's		Notes	2010 Budget $000's	2010 Actual $000's
	ASSETS			
	Current Assets			
66	Cash and cash equivalents	8	*800*	260
8,602	Debtors and other receivables	9	*7,566*	6,353
78	Other financial assets	11	*0*	81
239	Inventories	12	*108*	431
220	Non-current assets held for sale	13	*0*	0
9,205	Total Current Assets		*8,474*	7,125
	Non-current Assets			
152	Postponed rates	14	*410*	174
145	Other financial assets	11	*288*	208
3,031	Intangible assets	16	*4,692*	3,545
1,581	Forestry assets	17	*2,032*	1,948
1,165,717	Property, plant and equipment	15	*1,179,944*	1,184,523
1,170,626	Total Non-current Assets		*1,187,365*	1,190,398
1,179,831	**TOTAL ASSETS**		*1,195,838*	1,197,523
	LIABILITIES			
	Current Liabilities			
14,779	Creditors and other payables	20	*19,219*	13,537
452	Derivative financial instruments	10	*102*	756
1,562	Employee entitlements	21	*1,386*	1,634
351	Provisions	22	*773*	425
249	Borrowings	23	*5,844*	29,003
17,393	Total Current Liabilities		*27,325*	45,355
	Non-current Liabilities			
103	Employee entitlements	21	*93*	266
3,450	Provisions	22	*2,109*	2,814
69	Derivative financial instruments	10	*806*	1,085
54,984	Borrowings	23	*61,262*	20,231
58,606	Total Non-current Liabilities		*64,270*	24,396
75,999	**TOTAL LIABILITIES**		*91,594*	69,751
1,103,832	**NET ASSETS**		***1,104,244***	**1,127,772**
	EQUITY			
438,658	Accumulated funds	7	*96,038*	444,063
18,993	Restricted reserves	7	*316,632*	19,950
(8,516)	Council-created reserves	7	*44,143*	(9,048)
654,697	Property revaluation reserves	7a	*647,431*	672,807
1,103,832	**TOTAL EQUITY**		***1,104,244***	**1,127,772**

The accompanying notes form part of these financial statements.

Philippa Barribal JP
District Mayor

Steve Ruru
Chief Executive

Statement of Cash Flows

For the year ended 30 June 2010

2009		Notes	2010	
Actual			Budget	Actual
$000's			$000's	$000's
	CASH FLOWS FROM OPERATING ACTIVITIES			
	Cash was provided from:			
52,709	Receipts from rates revenue		*57,220*	56,930
1	Dividends received		*0*	1
15,201	Receipts from other revenue		*16,273*	18,446
52	Interest received		*15*	27
315	Goods and services tax received		*0*	558
68,278			*73,508*	75,962
	Cash was applied to:			
47,591	Payments to suppliers and employees		*52,630*	47,393
3,853	Finance costs		*3,859*	3,532
51,444			*56,489*	50,925
16,834	Net cash inflow/(outflow) from operating activities	24	*17,019*	25,037
	CASH FLOWS FROM INVESTING ACTIVITIES			
	Cash was provided from:			
161	Advance payments received		*5*	5
95	Proceeds from sale of property, plant and equipment		*392*	832
0	Proceeds from sale of non-current assets held for sale		*0*	220
256			*397*	1,057
	Cash was applied to:			
11	Advance payments made		*0*	0
36,454	Purchase of property, plant and equipment		*28,986*	18,979
293	Purchase of intangible assets		*1,953*	904
36,758			*30,939*	19,883
(36,502)	Net cash inflow/(outflow) from investing activities		*(30,542)*	(18,826)
	CASH FLOWS FROM FINANCING ACTIVITIES			
	Cash was provided from:			
62,093	Proceeds from borrowings		*14,125*	54,250
62,093			*14,125*	54,250
	Cash was applied to:			
73	Purchase of investments		*0*	4
105	Repayment of finance lease liabilities		*0*	50
42,650	Repayment of borrowings		*1,550*	60,213
42,828			*1,550*	60,267
19,265	Net cash inflow (outflow) from financing activities		*12,575*	(6,017)
(403)	Net increase/(decrease) in cash and cash equivalents		(947)	194
469	Cash and cash equivalents at the beginning of the year		*1,747*	66
66	**CASH AND CASH EQUIVALENTS AT END OF THE YEAR**	**8**	***800***	**260**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2010

Note 1 – Statement of accounting policies

REPORTING ENTITY

Thames-Coromandel District Council (the Council) is a territorial local authority governed by the Local Government Act 2002 and is domiciled in New Zealand.

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 has designated itself and its joint venture as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

The financial statements include activity Cost of Service Statements, a Statement of Comprehensive Income, a Statement of Changes in Equity, a Statement of Financial Position and Statement of Cash flows, with supporting notes.

The financial statements of the Council are for the year ended 30 June 2010 and were authorised for issue by the Council on 29 September 2010.

BASIS OF PREPARATION

Statement of compliance

The financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with generally accepted accounting practice in New Zealand ("NZ GAAP").

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

Measurement base

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

Functional and presentation currency

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 in New Zealand dollars.

Changes in accounting policies

The Council has adopted the following revisions to accounting standards during the financial year which have only had a presentational or disclosure effect:

- NZ IAS 1 *Presentation of Financial Statements (revised 2007)* replaces NZ IAS 1 *Presentation of Financial Statements (issued 2004).* The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The Council has decided to prepare a single statement of comprehensive income for the year ended 30 June 2010 under the revised standard. Financial statement information for the year ended 30 June 2009 has been restated accordingly. Those items of other comprehensive income presented in the statement of comprehensive income were previously recognised directly in the statement of changes in equity.

- Amendments to NZ IFRS 7 *Financial Instruments: Disclosures*. The amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of valuation inputs used. A maturity analysis of financial assets is also required to be prepared if this information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The transitional provisions of the amendment do not require disclosure of comparative information in the first year of application. The Council has elected to disclose comparative information.

- NZ IAS 24 *Related Party Disclosures (Revised 2009)* replaces NZ IAS 24 *Related Party Disclosures (Issued 2004).* The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The Council has elected to early adopt the revised standard and its effect has been to disclose further information about commitments between related parties.

Change in reporting format from prior year

In previous years, the Council has produced consolidated financial statements that incorporated the Thames Pensioner Housing Trust and the Thames Valley Combined Civil Defence Committee joint venture. In May 2010, the Office of the Auditor General re-evaluated the status of the trust in relation to the Council and determined that the trust was not established by the Council, the trust is not controlled by the Council, and is not therefore a controlled entity under the Public Audit Act. This decision removed the requirement for the Council to consolidate the trust's financial statements into consolidated group financial statements. The Council's share of the joint venture entity is now accounted for using the equity method outlined in NZ IAS 31 *Interests in Joint Ventures*.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

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

- NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement.* NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. The Council has not yet assessed the impact of the new standard and expects it will not be early adopted.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Rates revenue

Rates are set annually by a resolution from the 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 instalment invoices are issued.

Revenue from water by volume rates 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

The Council receives government grants from the New Zealand Transport Agency, which subsidises part of the Council's costs in providing the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Vested assets

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.

Vested assets also include assets in which the ownership has been transferred to the Council from land developers through the subdivision process. The value of the assets transferred to the Council is the developers' cost to construct or purchase the assets, apart from roading and reserves land. Roading land is valued based on fair value of adjacent land at 1 July 2005 by Jordan and Associates, Registered Valuers, Thames. Reserves land is recognised at the rateable value. Assets include reserve land, roading land and infrastructural assets.

Sale of goods

Revenue from sales of goods is recognised when a product is sold to the customer.

Parking infringements

Parking infringements are recognised when payment of the infrngement notice is received.

Interest and dividends

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividends are recognised when received.

Development and financial contributions

Development and financial contributions from subdivision consents are recognised as income upon the granting of the resource consent and prior to the completion certificate being issued pursuant to Section 224c of the Resource Management Act 1991. Contributions from land use consents are recognised as income upon the granting of the resource consent.

In cases where contributions are collected in advance to fund a service that is not actually provided in a particular area, the contributions are initially recognised as revenue in advance.

Donated services

The work of the Council relies on the voluntary services of residents, particularly in the activities of parks and reserves, libraries, and foreshores. Since these services are not purchased by the Council and, because of the difficulty of determining their value with reliability, donated services are not recognised in these statements.

Borrowing costs

The Council has elected to defer the adoption of the revised NZ IAS 23 *Borrowing Costs (Revised 2007)* in accordance with the transitional provisions that are applicable to public benefit entities.

Consequently, all 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 specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been paid.

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 and payment has been made.

Income tax

The Council is exempt from income tax. Accordingly, no provision has been made for income tax.

Leases

Finance leases

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

At the commencement of the lease term finance leases are recognised 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 finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Cash and cash equivalents

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

Debtors and other receivables

Debtors 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.

Derivative financial instruments and hedge accounting

Derivative financial instruments are used to manage exposure to interest rate risks arising from financing activities. In accordance with its investment 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 re-measured at their fair value at each balance date with the resulting gain or loss recognised in the surplus or deficit. The Council has elected not to apply hedge accounting.

The portion of the fair value of an interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

Other financial assets

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

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

Financial assets are classified into the following categories for the purposes of measurement:

- Fair value through surplus or deficit;
- Loans and receivables; and
- Fair value through other comprehensive income.

Classification of the financial assets 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 every reporting date.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or is part of a portfolio that are managed together and for which there is evidence of short-term profit-taking.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

After initial recognition financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost using the effective interest method less any provision for impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

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 similar asset/investment. The loans 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 surplus or deficit.

Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless the Council intends to dispose of the share investment within 12 months of balance date.

The Council includes in this category:

- Investments that it intends to hold long-term but which may be realised before maturity, and
- Shareholdings that it holds for strategic purposes.

After initial recognition these investments are measured at their fair value, with gains and losses recognised directly in other comprehensive income except for impairment losses, which are recognised in the surplus or deficit.

On de-recognition the cumulative gains or loss previously recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Joint Venture

The Council recognises its interest in its jointly controlled entity, Thames Valley Combined Civil Defence Committee, using the equity method. This investment has initially been recognised at cost as at 1 July 2009, and the carrying amount is increased or decreased to recognise the Council's share of the surplus or deficit of the jointly controlled entity after the date of recognition. The Council's share of the surplus or deficit of the jointly controlled entity is recognised in the statement of comprehensive income. The carrying amount of the investment is shown in other financial assets (note 11) in the statement of financial position. This is a change in the method of disclosure because up until 30 June 2009, the Council prepared consolidated financial statements but is no longer required to do so. (See changes in reporting format from prior year on page 107).

Impairment of financial assets

At each balance 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 surplus or deficit.

Loans and receivables

Impairment of a loan or a receivable is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For other financial assets, impairment losses are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive income

For equity instruments, classified as fair value through equity, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive income, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Inventory

Inventory held for distribution or consumption in the provision of services that are not supplied on a commercial basis is measured at cost, adjusted when applicable, for any loss of service potential.

Where inventory is acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in surplus or deficit in the period of the write-down.

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 rather than 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.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

Property, plant and equipment consist of :

Operational assets

These include land, buildings and improvements, library books, office furniture, plant and equipment, computer hardware, motor vehicles, swimming pools, refuse processing and disposal, and leased photocopiers.

Restricted assets

Restricted assets is reserves land owned by the Council, which provides a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructural assets

Infrastructural assets are the fixed utility systems owned by the Council including roads, footpaths, bridges and culverts, water, wastewater, storm water, reserve improvements and harbour facilities. Each asset class includes all items that are required for the network to function, for example, wastewater reticulation includes reticulation piping and sewer pump stations.

Land is measured at fair value, and buildings and infrastructure are measured at fair value less accumulated depreciation and impairment losses. All other asset classes are measured at cost, less accumulated depreciation and impairment losses.

Unformed or paper roads

An unformed or paper road is a term for a road that is legally established and recorded in survey plans, but has not been formed, and that ownership of the land associated with the paper road resides with the Council.

The Council does not recognise land under unformed paper roads in the financial statements because there is no service potential from the majority of paper roads. The public good of having access routes is very difficult to value. In addition there is a very limited market for sale to the surrounding or adjacent property owner, and value cannot be measured reliably because of the small individual area of many paper roads, and the high cost of disposal.

Revaluation

Land, buildings, swimming pools, refuse processing and disposal, and infrastructure are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

The carrying values of revalued assets are assessed annually by independent valuers to ensure that they do not differ materially from fair value. If there is evidence supporting a material difference, then the off-cycle asset classes are revalued.

Property, plant, and equipment revaluation movements are accounted for on a class of asset basis.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to a property revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the property revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

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.

Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in property revaluation reserves in respect of those assets are transferred to accumulated funds.

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 value over their useful lives.

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

Operational Assets	Useful Life	Depreciation rate
Buildings	10-70 years	1.4%-10.0%
Computer Hardware	3 years	33.3%
Furniture and Fittings	3-25 years	4.0%-33.3%
Library Collections	10 years	10.0%
Plant and Machinery	3-10 years	10.0%-33.0%
Refuse Processing and Disposal	10-100 years	1.0%-10.0%
Swimming Pool	10 years	10.0%
Infrastructural Asset		
Reserves Improvements		
▪ Cemeteries	10-80 years	1.3%-10.0%
▪ Equipment	10-25 years	4.0%-10.0%
▪ Fencing	20-75 years	1.3%-5.0%
▪ Furniture	10-50 years	2.0%-10.0%
▪ Pavement	10-90 years	1.1%-10.0%
▪ Playground	8-65 years	1.5%-12.5%
▪ Signs	10-23 years	4.3%-10.0%
▪ Structures	10-80 years	1.3%-10.0%
Bridges and Culverts	60-100 years	1.0%-1.7%
Footpaths	5-50 years	2.0%-20.0%
Harbour Facilities		
▪ Wharves and Jetties	10-95 years	1.2%-10.0%
▪ Pontoons	10-95 years	1.2%-10.0%
Roads		
▪ Railing	15-20 years	5.0%-6.7%
▪ Drainage	60 years	1.7%
▪ Signs	15 years	6.7%
▪ Lights	10-50 years	2.0%-10.0%
▪ Poles	25-50 years	2.0%-4.0%
▪ Brackets	50 years	2.0%
▪ Minor Structures	99 years	1.0%
▪ Surface Water Channels	15-50 years	2.0%-6.7%
▪ Surface	3-15 years	6.7%-33.3%
▪ Basecourse	40-60 years	1.7%-2.5%
▪ Sub-base	60-70 years (with 100% residual value)	0.0%
▪ Formation	Infinite	Not depreciated

Water		
▪ Plant	10-100 years	1.0%-10.0%
▪ Hydrants/valves	20-80 years	1.3%-5.0%
▪ Mains	60-100 years	1.0%-1.7%
▪ Connections	40-60 years	1.7%-2.5%
Stormwater		
▪ Pits	80 years	1.3%
▪ Drains	80-100 years	1.0%-1.3%
▪ Manholes	80 years	1.3%
▪ Plant	10-100 years	1.0%-10.0%
Wastewater		
▪ Pipes	60-100 years	1.0%-1.7%
▪ Manholes	80 years	1.3%
▪ Plant	10-100 years	1.0%-10.0%
▪ Connections	80 years	1.3%

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

Intangible assets

Software acquisition and development

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Preliminary staff training costs for new software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

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

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Easements

Easements are not cash generating in nature, instead they give the Council the right to access private property where infrastructural assets are located.

The Council has not valued and recognised easements as an intangible asset under NZ IAS 38 *Intangibles.* The work required identifying and developing a central register to record easements would be considerable and difficult to ensure that it was comprehensive and complete. The Council is also concerned that the cost to establish the register would be substantial with minimal benefits being achieved. Registered valuers would have difficulty determining a fair value for the easements due to their unique nature. There is no active market in existence and there is no recognised valuation methodology.

For these reasons, the Council does not recognise easements as an intangible asset because they cannot be quantified and the value of the easements can not be measured reliably.

Resource consents

In the past, the cost of resource consents has been recognised as property, plant and equipment rather than as an intangible asset as recommended under NZ IAS 38 *Intangibles*. The result is that, the costs of these consents are being depreciated over the useful life of the project rather than being amortised over the consent life.

A complete listing of resource consents held by the Council has been obtained. However, the difficulty is to measure the value of the consents due to their specialised nature and because there is no active market in existence. Consequently, registered valuers would have difficulty determining a fair value.

For these reasons, the Council intends to recognise consent renewals as intangible assets in the future when they arise and can be treated as an intangible asset as recommended under NZ IAS 38 *Intangibles*.

Amortisation

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

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

Intangible Asset	Useful Life	Amortisation rate
Computer software	5 years	20%
Resource consents	7-30 years	3.3%-14.3%

Impairment of property, plant and equipment and intangible assets

Intangible assets that have an indefinite useful life, or not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment that asset's recoverable amount is estimated. 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 the 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 and cash generating units 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 in other comprehensive income to the extent the impairment loss does not exceed the amount in the revaluation reserve in equity for that same class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive income and increases the property revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the surplus or deficit.

Forestry assets

Standing forestry assets are independently revalued annually at fair value less estimated point of sale costs for harvesting, transport, roading and management for one growth cycle. Fair value is determined based on the present value of expected net cash flows that would arise if the asset was harvested today, discounted at a current market determined pre-tax rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs and silvicultural costs and takes into consideration environmental, operational and market restrictions. The valuation is of standing timber only, exclusive of the underlying land value.

Gains or losses arising on initial recognition of forestry 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 or deficit.

Forestry maintenance costs are recognised in the surplus or deficit when incurred.

Creditors and other payables

Creditors and other payables are initially measured at fair value.

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method where the difference to carrying value is material. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after balance date or if the borrowings are expected to be settled within 12 months of the balance date.

Employee entitlements

Short-term employee entitlements

Employee benefits expected 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, and sick leave.

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

A liability and an expense is recognised for bonuses where the Council has a contractual obligation or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlements, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- The present value of the estimated future cash flows.

Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees.

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of the balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit 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. Further information on this scheme is disclosed in Note 30.

Provisions

A provision is recognised 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 measured at the present value of the expenditure 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 and is included in “finance costs”.

Landfill post-closure costs

The Council has a legal obligation to provide on-going maintenance and monitoring services at its five closed landfill sites. A provision for post-closure costs is recognised as a liability in the financial statements. The provision is measured based on the present value of future cash outflows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all known costs associated with landfill post-closure.

Weathertight homes

In the Council’s view, the definition of a provision has been met as a result of the legal precedent that Councils are liable for a share of affected home’s repair costs. A provision for estimated settlement costs is recognised as a liability in the financial statements. The provision is measured based on the present value of future cash outflows expected to be incurred. The provision includes all expected settlement costs. When there is a high level of uncertainty a contingent liability is recognised.

Reserve contribution credits

A provision has been established in the financial statements for the estimated liability associated with historic reserve contribution credits, as a result of subdivision’s vesting of reserves prior to the introduction of the development contribution policy in October 2004.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Council to make specific payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due.

Financial guarantee contracts have not been recognised at fair value in the financial statements because the Council has assessed the probability of a financial guarantee being called up as ‘less than likely to occur’ and the club or organisation has provided an indemnity to the Council that transfers ownership of the assets to the Council in the event of the guarantee being called up. The Council’s exposure to any risk is therefore mitigated and minimal. Financial guarantees are disclosed as a contingent liability because it is not probable that a present obligation exists.

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 to enable clearer identification of the specified uses the Council makes of its accumulated surpluses. Reserves are a component of equity and represent a particular use to which parts of equity have been assigned.

The components of equity are:

- Accumulated funds;
- Restricted reserves;
- Property revaluation reserves; and
- Fair value through other comprehensive income reserve.

Accumulated funds

The accumulated surpluses do not represent cash available to offset future rate increases, but rather it represents the community's investment in publicly owned assets resulting from past surpluses.

Restricted reserves

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

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

Restricted reserves are comprised of:

- Reserves land (restrictions imposed by title);
- Endowment farms trust property (restrictions imposed by statute); and

Council created reserves

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

These consist of specifically named reserves into which funds are put for specific purposes, and unspent revenue from one year which the Council deems appropriate to be expended in the following year, usually to finish incomplete budgeted work. The Council created reserves also include reserves for depreciation which have been funded but not yet utilised.

Property revaluation reserves

The property revaluation reserve represents increases in the value of certain classes of property, plant and equipment.

Fair value through other comprehensive income reserves

This reserve comprises the cumulative net change in the fair value of fair value through other comprehensive income instruments.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for debtors and other receivables and creditors and other payables, which are presented 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 is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the Inland Revenue Department, 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.

Statement of Cash Flows

Operating activities include cash received from all income sources of the Council and record the cash payments made for the supply of goods and services. Agency transactions are not recognised as receipts and payments in the cash flow statement.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of the Council.

Budget figures

The budget figures are those approved by the Council for the 2009/2010 financial year in the 2009-2019 Long-term Council Community Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council for the preparation of these financial statements.

Cost allocation

The cost of service for each significant activity of the Council has been derived 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 for a specific Council activity.

Direct costs are charged directly to the Council activities that incur those costs. Indirect costs are charged to the Council activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

Critical accounting estimates and assumptions

In preparing these financial statements the 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:

Infrastructural assets

Note 15 provides information about the estimates and assumptions applied in determining the fair value of infrastructural assets.

Landfill aftercare provision

Note 22 provides information about the estimates and assumptions surrounding the landfill aftercare provision.

Notes to the Financial Statements

For the year ended 30 June 2010

Note 2: Summary cost of services

2009		2010	
Actual $000's	NOTE 2 - Summary cost of services	Budget $000's	Actual $000's
	REVENUE		
	Council activities		
2,975	Community leadership	*2,784*	2,953
2,210	Planning for the future	*3,290*	3,493
28,262	Strong communities	*29,450*	29,663
37,356	Safeguarding the environment	*38,147*	38,155
70,803	Total revenue from Council activities	*73,672*	74,264
3,144	Assets vested and introduced	*5,590*	1,467
152	Other gains	*665*	592
74,100	**TOTAL REVENUE**	***79,928***	***76,323***
	EXPENDITURE		
	Council activities		
4,006	Community leadership	*4,541*	4,031
2,139	Planning for the future	*3,197*	2,640
28,660	Strong communities	*28,324*	28,252
30,846	Safeguarding the environment	*38,004*	33,808
65,651	Total cost of services	*74,065*	68,731
90	Impairment on property intended for sale	*0*	147
4,632	Other losses	*0*	4,116
70,372	**TOTAL EXPENSES**	***74,065***	**72,994**
3,727	**SURPLUS FROM OPERATIONS**	***5,862***	**3,329**

Note 3: Revenue

2009		2010
Actual $000's	**Note 3 - Revenue**	**Actual $000's**
	RATES REVENUE	
3,280	General rates	8,248
10,051	Uniform annual general charge	7,853
38,882	Targeted rates	39,581
1,416	Water by volume	1,255
2	Lump sum options	204
610	Penalties	701
54,241	Total Rates Revenue	57,842
	ACTIVITY REVENUE	
8,590	User fees and charges	8,363
244	Infringements and fines	289
459	Petrol tax	488
9,293	Total operating revenue	9,140
	INVESTMENT REVENUE	
1	Dividend revenue	1
52	Interest received	27
53	Total investment revenue	28
	GAINS	
0	Gains on changes in fair value of biological assets	367
0	Gain on disposal of property, plant and equipment	213
2	Gains on changes in financial assets at fair value through profit and loss	12
150	Gains on changes in fair value of foreign exchange	0
152	Total other gains	592
	ASSETS VESTED	
4	Plant and equipment	26
0	Land	25
802	Reserves land	302
23	Reserves improvements	24
1,422	Roads and footpaths	633
59	Wastewater	111
66	Water	97
766	Stormwater	249
3,143	Total assets vested in Council	1,467
	OTHER REVENUE	
1,090	Contributions	1,871
6,126	New Zealand Transport Agency subsidies*	5,383
74,100	**TOTAL REVENUE**	**76,323**

*There are no unfulfilled conditions and other contingencies attached to NZTA subsidies recognised.

Non-Rateable Land

Under the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates, the uniform annual general charge and certain targeted rates. These include schools, places of religious worship, public gardens and reserves. These non-rateable properties may be subject to targeted rates in respect of sewerage, water and refuse. Non-rateable land does not constitute a remission under the Council's rates remission policy.

Assets Vested

Gifted Assets

The following assets were gifted to the Council during the 2009-2010 financial year:

- Interpretation panels for the Waiomu Foreshore Reserve. These were partly funded by the Waiomu Reserves Committee. The Committee provided $3,700 towards the design and manufacturing costs of the signs. The Council ensured that these were properly installed and met all other costs in relation to these signs.
- Artwork at Pepe Reserve in Tairua. This artwork is valued at $20,000 and was created by a local artist. It was kindly donated to the Council in October 2009.
- Library computer and software equipment at the Thames, Mercury Bay and Tairua libraries. This equipment was kindly donated by APN to each of the three libraries as part of the internet access partnership. The total value of the equipment provided was $17,266.
- An inflatable assault course worth $8,770. This course was donated to the Thames Centennial Pool by the Lions Club in January 2010.

Vested Assets

The Council has had vested to it certain infrastructural assets and land as part of the sub-divisional process. The Council recognises the value of these assets as income in the statement of comprehensive income with an equivalent increase in property, plant and equipment in the statement of financial position.

Note 4: Expenditure

2009		2010
Actual $000's	**Note 4 - Expenditure**	**Actual $000's**
	PERSONNEL COSTS	
11,793	Salaries and wages	12,212
16	Employer contributions to multi-employer defined benefit plans[1]	15
7	Employer contributions to defined contribution plans	10
186	Increase/(decrease) in employee benefit liabilities	235
12,002	Total personnel costs	12,472
	AMORTISATION	
44	Resource Consents	98
387	Computer software	292
431	Total amortisation expense	390
	DEPRECIATION	
546	Buildings	721
367	Computer hardware	441
167	Furniture and fittings	175
97	Library collections	120
297	Plant, machinery and vehicles	278
233	Solid Waste	265
265	Bridges and culverts	285
568	Footpaths	649
109	Harbour facilities	101
660	Reserves improvements	722
3,823	Roads	4,212
1,067	Stormwater	1,114
3,338	Wastewater	4,388
2,170	Water	2,316
13,708	Total depreciation expense	15,787
14,138	Total depreciation and amortisation expense	16,177
	FINANCE COSTS	
	Interest expense	
3,252	Interest on bank borrowings	3,523
7	Interest on hire purchase	0
5	Interest on finance leases	9
(26)	Discount unwinding: refer Note 22 *Provisions*	(6)
3,237	Total finance costs	3,526

[1] Employer contributions to defined contribution plans include contributions to Kiwisaver and the Defined Benefit Plan Contributors Scheme

Actual $000's	Note 4 (continued)	Actual $000's
	OTHER EXPENSES	
	Audit fees	
110	Fees for annual report audit	106
2	Fees for assurance services[2]	9
0	Fees for the audit of a Long-term Council Community Plan amendment	9
137	Fees for 2009-2019 Long-term Council Community Plan audit	0
1,267	Grants provided	1,262
376	Impairment of receivables: Refer to Note 9 *Debtors and other receivables*	301
90	Impairment of property intended for sale: Refer Note 13 *Non-current assets held for sale*	147
15	Operating leases	17
608	Rates remissions: Refer to Note 5 *Rates remissions*	430
33,759	Other operating expenses	34,422
36,363	Total other expenses	36,703
	OTHER LOSSES	
3,477	Losses on disposal of property, plant and equipment: Refer to Note 6 *Gains/losses on disposal*	2,796
305	Losses on changes in fair value of forestry assets	0
850	Losses on changes in fair value of interest rates swaps	1,320
4,632	Total other losses	4,116
70,373	**TOTAL EXPENDITURE**	**72,994**

[2] Audit related fees for assurance services were for the audit of the Debenture Trust Deed requirements and for Special Assurance Services (SAS) work on Council's Asset Management Plans.

Note 5: Rates remissions

Rates relief provided by the Council includes rates postponement (for further details refer Note 14: Postponed rates) and rates remissions. The objective of rates remissions is to recognise the diverse nature of the Coromandel and enhance the social and economic development throughout the Peninsula. The different type of rates remissions and the specific objectives of each type of rates remission are set in accordance with the policy outlined in the Long-term Council Community Plan. Council's remission policy has been treated as an expense in accordance with the Council's view that this is in the nature of a grant, not a reduction of revenue.

2009		2010
Actual $000's	**Note 5 - Rates remissions**	**Actual $000's**
	Rates remissions are comprised of:	
7	Land held for conservation or preservation purposes	13
12	Community sporting and non-profit organisations	21
126	Maori freehold land	137
2	Land affected by a natural calamity	4
19	Rating units occupied/owned in common (includes residential and rural)	19
55	Wastewater charges for schools	61
146	Rating units containing two seperately habitable units (second dwelling)	171
237	New residential subdivisions	0
5	Unusable land	4
608	**TOTAL REMISSIONS**	**430**

Note 6: Losses on disposal of property, plant and equipment

2009		2010
Actual $000's	**Note 6 - Losses on disposal of property, plant and equipment**	**Actual $000's**
	Losses on disposal include:	
269	Bridges and culverts	0
5	Computer hardware	0
16	Footpaths	43
0	Harbour facilities	12
5	Land and buildings	661
22	Plant and machinery	24
125	Reserves improvements	19
763	Reserves land	175
480	Roading	1,500
7	Solid waste disposal	35
5	Stormwater	43
1,694	Wastewater	271
86	Water	13
3,477	**TOTAL LOSSES ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT**	**2,796**

Note 7: Equity

The accumulated surpluses do not represent cash available to offset future rate increases, rather they represent the community's investment in publicly owned assets resulting from past surpluses.

The Council created reserves consist of:

- Specifically named reserves into which funds are put for specific purposes;
- Unspent (retained) revenue from one year which the Council deems appropriate to be expended in the following year, usually to finish incomplete budgeted work; and
- Unspent depreciation reserves.

The accumulated balance and the Council created reserves are comprised of:

2009		2010
Actual $000's	**Note 7 - Equity**	**Actual $000's**
	ACCUMULATED FUNDS	
436,821	Opening balance	438,658
0	Introduction of joint venture equity in place of previous consolidation	67
(26)	Net movement in restricted reserves	(957)
(3,923)	Net movement in Council created reserves	532
0	Transfers from property revaluation reserves on impairment	103
2,059	Transfers from property revaluation reserves on disposal	2,343
3,727	Net surplus for the year	3,317
438,658	Total consolidated accumulated funds	444,063
	RESTRICTED RESERVES	
	Reserves land (restrictions imposed by title)	
17,439	Opening balance	17,465
26	Net movement in reserves land	957
17,465	Closing balance	18,422
	Endowment farms trust property (restrictions imposed by statute)	
1,528	Opening balance	1,528
0	Net movement in endowment farms trust property reserve	0
1,528	Closing balance	1,528
18,993	Total restricted reserves	19,950
	COUNCIL CREATED RESERVES	
	Specifically named reserves available to fund activities	
(20,191)	Opening balance	(16,269)
3,922	Net movement in specifically named reserves	(6,413)
(16,269)	Closing balance	(22,682)
	Retained revenue reserves available to fund activities	
5,249	Opening balance	4,194
(1,055)	Net movement in retained revenue reserves	3,778
4,194	Closing balance	7,972
	Funded depreciation reserves to fund capital items	
828	Opening balance	1,999
1,171	Net movement in funded depreciation reserves	1,801
1,999	Closing balance	3,800
	Special LGAC reserves to fund capital items	
1,674	Opening balance	1,559
(115)	Net movement in special LGAC reserves	303
1,559	Closing balance	1,862
(8,516)	Total council created reserves	(9,048)
	PROPERTY REVALUATION RESERVES	
509,462	Opening revaluation reserves	654,697
147,294	Net revaluation gains	20,556
0	Gains/(losses) taken to equity for impairments of land	(103)
(2,059)	Transfer to accumulated funds on disposal of property	(2,343)
654,697	Closing property revaluation reserves	672,807
1,103,832	**TOTAL EQUITY**	**1,127,772**

[1]Council Created reserves are reserves created at Council discretion. The debit balance within Council Created Reserves has come about as a result of Councils internal funding allocation (An internal loan reserve is created from which internal loans are drawn down). If not disclosed through Council Created Reserves this internal funding allocation would be consolidated into Accumulated Funds.

Note 7a: Property revaluation reserves

2009		2010
Actual $000's	7a - Property revaluation reserves consists of:	Actual $000's
9,334	Buildings	10,400
5,203	Footpaths	6,531
1,422	Harbour facilities	2,056
45,861	Land	44,585
181,175	Restricted land	180,961
3,828	Reserves Improvements	4,240
267,712	Roads, bridges and culverts	269,773
1,439	Refuse processing and disposal	1,756
33,574	Stormwater	33,779
53,109	Wastewater	62,394
52,039	Water	56,332
654,697	**TOTAL PROPERTY REVALUATION RESERVES**	**672,807**

Restricted reserves have been disclosed at cost rather then at revaluation. Comparatives for 2009 have been realigned to also reflect this 2010 disclosure.

Note 8: Cash and cash equivalents

2009		2010
Actual $000's	Note 8 - Cash and cash equivalents	Actual $000's
66	Cash at bank and in hand	260
66	**TOTAL CASH AND CASH EQUIVALENTS**	**260**

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

Cash and bank overdrafts include the following for the purposes of the cash flow statement:

3	Cash on hand	3
37	Council current account	241
27	Domain committee current accounts	16
0	Short-term deposits maturing three months or less from date of acquisition	0
66	**TOTAL CASH AND CASH EQUIVALENTS**	260

The carrying value of cash at bank and term deposits with maturities less than three months approximates their fair value.

The Council has $336,813 of cash and cash equivalents and other short term deposits with the ANZ National Bank, Bank of New Zealand and Westpac New Zealand. These financial institutions have opted into the New Zealand Retail Deposit Guarantee Scheme. The scheme provides a guarantee of deposits held to a maximum limit of NZ$1,000,000 per investor and per guaranteed institution until 12 October 2010. The total value of these bank deposits held by the Council is therefore covered by the guarantee.

Note 9: Debtors and other receivables

2009		2010
Actual $000's	**Note 9 - Debtors and other receivables**	**Actual $000's**
3,255	Rates	3,600
120	Building consents	146
1	Licensing	2
214	Resource consents	198
152	Water	226
199	Water by volume	187
239	Contributions	1,112
3,335	Other trade receivables	667
1,275	GST	822
0	Interest receivable	0
1,044	New Zealand Transport Agency subsidies	610
72	Petrol Tax	75
129	Other receivables	253
10,034	Gross debtors and other receivables	7,898
(1,051)	Less provision for impairment of rates receivables: Refer Note 9b *Movements in provision*	(1,128)
(229)	Less provision for impairment of other receivables: Refer Note 9b *Movements in provision*	(243)
8,754	**TOTAL DEBTORS AND OTHER RECEIVABLES**	6,527
	Less non-current portion:	
152	Postponed rates: Refer Note 14 *Postponed rates*	174
152	Total non-current portion	174
8,602	**CURRENT PORTION DEBTORS AND OTHER RECEIVABLES**	**6,353**

Fair Value

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms. As such, the carrying value of trade and other receivables approximates their fair value.

Impairment

The Council does not provide for any impairment on rates receivable, except on Maori Freehold Land as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts.

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

Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to their net present value if the impact of discounting is material.

The carrying amount of receivables that would otherwise be past due or impaired, whose terms have been renegotiated is $360,407 (2009: $352,529). For further details refer to Note 9c; Arrangements to pay.

Note 9a: Aging of receivables

The status of receivables as at 30 June 2009 and 2010 are detailed below:

		2009				2010
Gross	**Impairment**	**Net**	**9a - Aging of Receivables**	**Gross**	**Impairment**	**Net**
$000's	$000's	$000's		$000's	$000's	$000's
3,110	0	3,110	Not past due	3,250	0	3,250
244	7	237	Past due 1 to 60 days	245	1	244
5,399	474	4,925	Past due 61 days to 1 year	2,527	352	2,175
1,130	800	330	Past due >1year	1,702	1,018	684
9,883	1,281	8,602	TOTAL CURRENT PORTION	7,724	1,371	6,353

All overdue receivables, except for rates receivable, have been assessed for impairment, individually and appropriate provisions applied. The impairment provision has been calculated based on expected losses for the Council's pool of debtors. Expected losses have been determined based on an analysis of the Council's losses in previous periods, and by reviewing a number of debtors individually.

Note 9b: Movements in provision for impairment

2009		2010
Actual $000's	**9b - Movements in provision for impairment**	**Actual $000's**
1,028	Opening impairment provision	1,280
376	Additional provisions made during the year	301
(124)	Receivables written off during the year	(210)
1,280	**CLOSING IMPAIRMENT PROVISION**	**1,371**

Note 9c : Arrangements to pay

The age of receivables overdue, whose payment terms have been renegotiated, but not impaired are as follows:

2009	9c - Arrangements to pay	2010
268	0-12 months	303
84	> 12 months	57
353	**TOTAL CARRYING AMOUNT OF ARRANGEMENTS TO PAY**	**360**

The Council does not hold collateral as security or other credit enhancements over receivables that are either past due or impaired.

Note 10 : Derivative financial instruments

2009		2010
Actual $000's	Note 10 - Derivative financial instruments	Actual $000's
	CURRENT LIABILITY PORTION	
452	Interest rate swaps	756
452	Total current liability portion	756
	NON-CURRENT LIABILITY PORTION	
69	Interest rate swaps	1,085
69	Total non-current liability portion	1,085
521	**TOTAL DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES**	**1,841**

Fair Value

Interest rate swaps

The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to their present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

The notional principal amounts of the outstanding interest rate swap contracts for the Council were $71.5 million (2009 $59 million)

Of this notional amount:

- $14.5 million is due to expire prior to the 30 September 2010;
- While $6 million to expire in October 2010;
- $5 million has a forward start date commencing before 30 August 2010;
- While $17.5 million has a forward start date of 30 June 2011;

The Council's variable interest rate borrowings which these interest rates cover was $38.9 million at 30 June 2010 (2009 $54.9 million).

At 30 June 2010, the fixed interest rates of the interest rate swaps varied from 3.45% to 6.845% (2009 4.92% to 6.85%).

Note 11 : Other financial assets

2009		2010
Actual $000's	**Note 11 - Other financial assets**	**Actual $000's**
78	Current	81
145	Non-current	208
223	**TOTAL OTHER FINANCIAL ASSETS**	**289**
	Other financial assets are comprised of:	
	CURRENT PORTION	
	Loans and receivables	
73	Short-term deposits with maturities of 4-12 months	77
5	Royal New Zealand Plunket Society Thames Branch Incorporated	4
78	Total current portion	81
	NON-CURRENT PORTION	
	Investments	
11	Unlisted shares: New Zealand Local Government Insurance Corporation Limited	21
0	Unlisted shares: Local Authority Shared Services Limited	0
108	Unlisted shares: Shared Valuation Data Service	108
23	Unlisted shares: Waikato Regional Transport Model	23
0	Interest in: Thames Valley Combined Civil Defence Committee	56
	Loans and receivables	
3	Royal New Zealand Plunket Society Thames Branch Incorporated	0
145	Total non-current portion	208
223	**TOTAL OTHER FINANCIAL ASSETS**	**290**

Term Deposits

The carrying amount of term deposits approximates their fair value.

Unlisted Shares

Unlisted shares are held in non-commercial entities and are carried at cost less impairment because either the fair value of the investment cannot be reliably determined using a standardised valuation technique or due to cost not being materially different to fair value.

New Zealand Local Government Insurance Corporation Limited (Civic Assurance)

Civic Assurance is the trading name of New Zealand Local Government Insurance Corporation Limited. Civic Assurance provides insurance products and other financial services principally to New Zealand local government. The Council holds 7,120 fully paid shares of $1.00 in this entity.

The value of these shares reflects the asset backing of $3.05 per share according to the financial statements of the company as at 31 December 2009.

Local Authority Shared Services Limited

The Council has a one-thirteenth ordinary shareholding (1 share at $1,000) in the Local Authority Shared Services Limited Company. The remaining shares are owned by Waikato Regional Council, Environment Waikato, Hamilton City Council, Franklin, Waipa, Hauraki, Matamata-Piako, Otorohanga, Waitomo, South Waikato, Taupo and Rotorua District Councils. The shares have been issued but have not yet been called.

Holders of ordinary shares have the rights conferred on shareholders under the Companies Act 1993.

The Council also holds:

- 108,015 fully paid service shares at $1 in the Shared Valuation Data Service (SVDS),
- 6,476 service shares in the Waikato Region Aerial Photography Service, as yet uncalled, and
- 2,250 fully paid shares in Waikato Regional Transport Model.

Service shareholdings entitle the holders to participate in certain services provided by the company. However, they do not provide rights to a share in the distribution of surplus assets, nor do they provide the holder of such shares to any voting rights.

For further details refer Council Controlled Organisations on Page 168.

Joint Venture

The Council recognises its interest in its jointly controlled entity, Thames Valley Combined Civil Defence Committee, using the equity method. This investment has initially been recognised at cost as at 1 July 2009, and the carrying amount is increased or decreased to recognise the Council's share of the surplus or deficit of the jointly controlled entity after the date of recognition. The Council's share of the surplus or deficit of the jointly controlled entity is recognised in the statement of comprehensive income. The carrying amount of the investment is shown in other financial assets in the statement of financial position. This is a change in the method of disclosure because up until 30 June 2009, the Council prepared consolidated financial statements but is no longer required to do so.

Loans and Receivables

Royal New Zealand Plunket Society Thames Branch Incorporated

The face value of the interest free community loan to the Royal New Zealand Plunket Society Thames Branch Incorporated is $3,933.69 (2009: $9,178.05). This balance is payable within 12 months of balance date and has therefore not been discounted.

The term of the advance is for four years and is interest free. The Council holds a second mortgage over the buildings of the Society.

Impairment

There were no impairment provisions for other financial assets. None of the financial assets are either past due or impaired.

Maturity Analysis and Effective Interest Rates

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

2009		2010
Actual $000's	**Maturity Analysis**	**Actual $000's**
	Fair value:	
78	Other investments maturing within 1 year or less:	81
3	Investments maturing after 1 year but less than 2 years	0
0	Investments maturing after 2 year but less than 3 years	0
0	Investments maturing after 3 year but less than 5 years	0
0	Investments maturing after 4 year but less than 5 years	0
141	More than five years	208
223	**FAIR VALUE OF FINANCIAL ASSETS**	**289**
	Carrying value:	
78	Other investments maturing within 1 year or less:	81
4	Investments maturing after 1 year but less than 2 years	0
0	Investments maturing after 2 year but less than 3 years	0
0	Investments maturing after 3 year but less than 5 years	0
0	Investments maturing after 4 year but less than 5 years	0
141	More than five years	208
223	**CARRYING VALUE OF FINANCIAL ASSETS**	**289**

Note 12 : Inventory

2009		2010
Actual $000's	Note 12 - Inventory	Actual $000's
	Held for distribution or consumption:	
239	Wastewater spare parts	431
239	**TOTAL INVENTORY**	**431**

Inventory held for distribution

Inventory held for distribution or consumption is spare parts that have arisen from the decommissioning of the Whitianga, Whangamata and Pauanui wastewater treatment plants. The Council intends to hold these spare parts as inventory until they can be utilised in the future.

The carrying amount of inventory held for distribution is measured at current replacement cost, and adjusted when applicable for any loss of service potential. The loss in service potential of inventory held for distribution is determined on the basis of obsolescence.

The write-down of inventories held for distribution because of a loss in service potential amounted to nil (2009: $nil). There have been no reversals of write-downs (2009 $nil).

Note 13 : Non-current assets held for sale

2009		2010
Actual $000's	Note 13 - Non-current assets held for sale	Actual $000's
	Non-current assets held for sale are:	
220	Land and buildings	0
220	**TOTAL NON-CURRENT ASSETS HELD FOR SALE**	**0**

Land and Buildings

The Council owned assets previously classed as 'held-for-sale' were sold during the 2009-2010 financial year. The property had previously been written down to fair value less costs to sell just prior to the sale taking place in July 2009 ($220,000). No gain was made on the sale of these assets.

At its June 2010 meeting, the Council approved the demolition of the Whenuakite hall which is to be undertaken during the ensuing financial year. The land on which the hall stands is to be sold back to the original owners for $1.00 which was the purchase price the Council paid at the time of acquisition. The building has been written down to a fair value of nil and the land to a fair value of $1.00. The impairment loss has been accounted for in the operating surplus. Refer to Note 4: Expenditure.

Note 14 : Postponed rates

2009		2010
Actual $000's	Note 14 - Postponed rates	Actual $000's
152	Postponed rates	174
152	**TOTAL POSTPONED RATES**	**174**

The face value of postponed rates is $174,473 (2009: $151,989). Fair value has not been determined by using discounted cash flows.

Interest was charged at a rate of 7.75% on postponed rates for the 2009/2010 year (2009: 7.75%). Future interest rates are notified annually in the Long-term Council Community Plan or Annual Plan.

Postponed rates are secured by statutory land charges over the rating units on which rates have been postponed.

Note 15 : Property, plant and equipment

For the year ended 30 June 2010

Note 15 - Property, plant and equipment 2010	1 July 2009 Cost / Revaluation	1 July 2009 Accum. dep and impairment charges	1 July 2009 Carrying amount	30 June 2010 Current year revaluation	30 June 2010 Accum. Depn reversed on revaluation	30 June 2010 Current year additions/ reclassified	30 June 2010 Current yr trfs to PPE intended for sale	30 June 2010 Current year disposals	30 June 2010 Current year disposals depn	30 June 2010 Current year impairment charges	30 June 2010 Current year depn	30 June 2010 Net Book Value	30 June 2010 Cost	30 June 2010 Accum. Depn and impairment charges	30 June 2010 Carrying amount
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
OPERATIONAL ASSETS															
Buildings	21,493	1,254	20,239	(242)	1,250	1,266	0	256	28	0	721	21,564	22,261	697	21,564
Computer hardware	1,721	946	775	0	0	570	0	81	81	0	441	904	2,210	1,306	904
Furniture and fittings	1,767	633	1,134	0	0	140	0	0	0	0	175	1,099	1,907	808	1,099
Land	57,898	0	57,898	0	0	532	0	1,135	0	0	0	57,295	57,295	0	57,295
Library collections	1,003	330	673	0	0	119	0	0	0	0	120	672	1,122	450	672
Plant and machinery	2,199	991	1,208	0	0	368	0	368	280	0	278	1,210	2,199	989	1,210
Refuse processing and disposal	4,015	231	3,784	104	231	265	0	39	4	0	265	4,084	4,345	261	4,084
Total Operational Assets	**90,096**	**4,385**	**85,711**	**(138)**	**1,481**	**3,260**	**0**	**1,879**	**393**	**0**	**2,000**	**86,828**	**91,339**	**4,511**	**86,828**
INFRASTRUCTURAL ASSETS															
Bridges and culverts	14,168	259	13,908	768	259	169	0	0	0	0	285	14,819	15,105	285	14,819
Footpaths	16,378	567	15,811	776	567	422	0	45	2	0	649	16,884	17,531	647	16,884
Harbour facilities[1]	5,570	218	5,352	474	202	(102)	0	13	1	0	101	5,813	5,929	116	5,813
Reserves improvements	10,267	650	9,617	(234)	650	438	0	20	1	0	722	9,730	10,451	721	9,730
Roads	500,280	3,704	496,576	(1,902)	3,704	8,072	0	1,631	131	0	4,212	500,738	504,819	4,081	500,738
Stormwater	66,704	1,067	65,637	(859)	1,067	525	0	25	0	0	1,114	65,231	66,345	1,114	65,231
Wastewater	140,801	3,284	137,517	6,198	3,240	24,475	0	482	31	0	4,388	166,632	170,992	4,360	166,632
Water	98,701	2,165	96,536	2,136	2,165	13	0	14	0	0	2,316	98,520	100,836	2,316	98,520
Total Infrastructural Assets	**852,869**	**11,914**	**840,955**	**7,357**	**11,854**	**34,012**	**0**	**2,230**	**166**	**0**	**13,787**	**878,368**	**892,008**	**13,640**	**878,368**
Restricted Assets:															
Reserves land	198,642	0	198,642	0	0	1,093	0	175	0	0	0	199,560	199,560	0	199,560
Capital work in progress[2]	40,411	0	40,411	0	0	(20,613)	0	30	0	0	0	19,768	19,768	0	19,768
TOTAL PROPERTY, PLANT AND EQUIPMENT	**1,182,018**	**16,299**	**1,165,719**	**7,219**	**13,335**	**17,752**	**0**	**4,314**	**559**	**0**	**15,787**	**1,184,523**	**1,202,675**	**18,151**	**1,184,523**

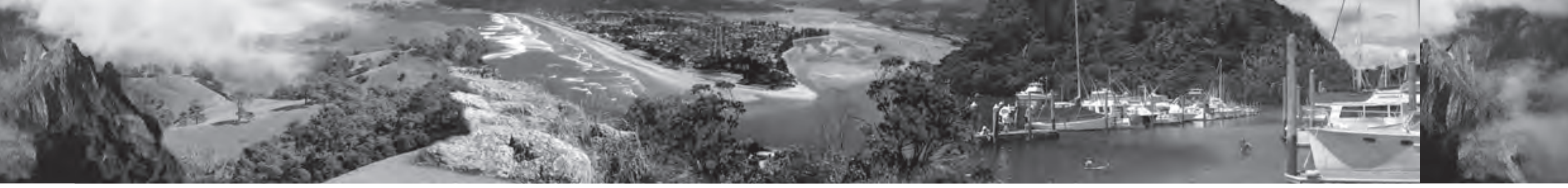
1. Current year additions ($102,000) are comprised of a transfer of harbour assets to buildings of ($125,000), offset by actual additions amounting to $23,000.

2. Current year additions ($20,613.000) are comprised of transfers to fixed assets of ($37,829,000) offset by actual additions to work in progress of $17,216,000.

For the year ended 30 June 2009

Note 15 - Property, plant and equipment 2009	1 July 2008 Cost / Revaluation	1 July 2008 Accum. dep and impairment charges	1 July 2008 Carrying amount	30 June 2009 Current year revaluation	Accum. Depn reversed on revaluation	Current year additions	Current yr trfs to PPE intended for sale	Current year disposals	Current year disposals depn	Current year impairment charges	Current year depn	Net Book Value	30 June 2009 Cost	30 June 2009 Accum. Depn and impairment charges	30 June 2009 Carrying amount
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
OPERATIONAL ASSETS															
Buildings	21,050	708	20,342	0	0	443	0	0	0	0	546	20,239	21,493	1,254	20,239
Computer hardware	1,666	896	770	0	0	377	0	322	317	0	367	775	1,721	946	775
Furniture and fittings	1,663	466	1,197	0	0	104	0	0	0	0	167	1,134	1,767	633	1,134
Land	56,034	5,396	50,638	1,364	5,396	500	0	0	0	0	0	57,898	57,898	0	57,898
Library collections	842	233	609	0	0	161	0	0	0	0	97	673	1,003	330	673
Plant and machinery	1,948	780	1,168	0	0	394	0	143	86	0	297	1,208	2,199	991	1,208
Refuse processing and disposal	3,655	566	3,089	261	566	108	0	9	2	0	233	3,784	4,015	231	3,784
Total Operational Assets	**86,858**	**9,045**	**77,813**	**1,625**	**5,962**	**2,086**	**0**	**474**	**405**	**0**	**1,708**	**85,711**	**90,096**	**4,385**	**85,711**
INFRASTRUCTURAL ASSETS															
Bridges and culverts	13,139	249	12,890	569	249	734	0	274	6	0	265	13,908	14,168	259	13,908
Footpaths	16,754	565	16,189	(1,698)	565	1,339	0	17	1	0	568	15,811	16,378	567	15,811
Harbour facilities	5,526	109	5,417	0	0	44	0	0	0	0	109	5,352	5,570	218	5,352
Reserves improvements	8,480	1,231	7,249	1,262	1,231	642	0	117	10	0	660	9,617	10,267	650	9,617
Roads	526,445	3,419	523,026	(34,242)	3,419	8,708	0	631	119	0	3,823	496,574	500,280	3,704	496,576
Stormwater	63,198	2,979	60,219	1,324	2,979	2,188	0	6	0	0	1,067	65,637	66,704	1,067	65,637
Wastewater	118,628	6,777	111,851	3,003	6,777	20,990	0	1,820	54	0	3,338	137,517	140,801	3,284	137,517
Water	70,545	4,226	66,319	24,543	4,226	3,694	0	81	5	0	2,170	96,536	98,701	2,165	96,536
Total Infrastructural Assets	**822,715**	**19,555**	**803,160**	**(5,239)**	**19,446**	**38,338**	**0**	**2,946**	**194**	**0**	**12,000**	**840,953**	**852,869**	**11,914**	**840,955**
Restricted Assets:															
Reserves land	73,361	240	73,121	124,532	240	789	0	40	0	0	0	198,642	198,642	0	198,642
Capital Work in Progress[1]	45,955	0	45,955	0	0	(5,610)	0	(66)	0	0	0	40,411	40,411	0	40,411
TOTAL PROPERTY, PLANT AND EQUIPMENT	**1,028,889**	**28,840**	**1,000,049**	**120,918**	**25,648**	**35,603**	**0**	**3,393**	**599**	**0**	**13,708**	**1,165,716**	**1,182,018**	**16,299**	**1,165,719**

1. Current year additions ($5,610.000) are comprised of transfers to fixed assets of ($39,267,000) offset by actual additions to work in progress of $33,657,000.



Significant Acquisitions or Replacements of Assets for 2009/2010

The Local Government Act 2002 requires councils to provide information regarding any significant assets acquired or replaced during the year. The Council's significance policy deems amounts to be significant if:

- It involves $5,000,000 or more budgeted expenditure; or
- It involves $500,000 or more unbudgeted expenditure

No projects with budgeted expenditure of $5,000,000 were undertaken during the year under review.

One project exceeded budget by more than $500,000. This was the Tairua/Pauanui effluent disposal which had a budget of $115,606. The amount actually expended was $685,499, a difference of $569,843. This was due to a portion of the project being deferred from the 2007/2008 year due to post resource consent consultation issues but the budget was not carried forward to 2009/2010.

Valuation

Operational assets

Furniture and fittings are held at deemed cost as determined by an independent market valuation as at 1 July 2004. Furniture and fittings additions since that date are recorded at cost, less accumulated depreciation and any accumulated impairment losses.

Library collections are held at deemed cost as determined by an estimated depreciated replacement value as at 1 July 2005. Library collections are recorded at cost, less accumulated depreciation and any accumulated impairment losses.

Plant and equipment and motor vehicles are recorded at cost, less accumulated depreciation and any accumulated impairment losses.

Buildings (e.g. residential buildings) are valued at fair value less accumulated depreciation with subsequent additions recorded at cost. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable and willing parties in an arms length transaction. The most recent valuation of buildings was performed by an independent valuer, Curnow Tizard Limited (Registered Valuers) Hamilton, and the valuation is effective as at 1 July 2009.

Land is valued at fair value using market based evidence based on a highest and best use scenario. The most recent valuation of land was performed by a registered independent valuer, Quotable Value Limited, Te Aroha and the valuation is effective as at 30 June 2008. Any subsequent additions from this date have been recorded at cost.

Refuse processing and disposal assets have been valued at depreciated replacement cost as at 1 July 2009 by MWH New Zealand Limited (Consulting Engineers), Christchurch. The significant assumptions used when determining depreciated replacement cost are covered below under 'infrastructural assets'. Any subsequent additions from this date have been recorded at cost.

Infrastructural assets

Infrastructural assets such as roads, footpaths, underground utilities (e.g. water, wastewater, storm water and site drainage) have been independently valued at depreciated replacement cost. The valuations have been performed in accordance with the New Zealand Valuation and Depreciation Guidelines issued by the NAMS Group.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- The replacement asset is based on the reproduction cost of the specific assets with adjustments where appropriate for obsolescence due to over design or surplus capacity.
- Replacement cost is the cost of building the asset "today". In arriving at the value, it is assumed that modern construction techniques and modern equivalent materials are used but that the physical result replaces the asset as it exists.
- Estimating the remaining useful life of assets.
- Straight-line deprecation has been applied in determining the depreciated replacement cost value of the asset.

The Council assesses the carrying values of its infrastructural assets to ensure that they do not differ materially from the assets fair values. If there is a material difference, then the asset class is revalued. The most recent valuations of the Council's infrastructural assets were performed by independent valuers, as detailed below:

- Harbour facilities have been valued at depreciated replacement cost as at 1 July 2009 by MWH New Zealand Limited (Consulting Engineers), Christchurch, with subsequent additions recorded at cost.
- Reserves improvements have been valued at depreciated replacement cost as at 1 July 2009 by MWH New Zealand Limited (Consulting Engineers), Christchurch. Subsequent additions are recorded at cost.
- Roads, Bridges and Footpaths, have been valued at depreciated replacement cost at 1 July 2009 by Opus International Consultants Limited (Consulting Engineers), Paeroa. Subsequent additions are recorded at cost.
- Water, Wastewater and Stormwater have been valued at depreciated replacement cost as at 1 July 2009 by MWH New Zealand Limited (Consulting Engineers), Christchurch. Subsequent additions are recorded at cost.

Restricted assets

Reserves Land has been valued at fair value using market based evidence based on a highest and best use scenario. However, where there is a designation held against the land or the land has a restricted or impaired use, appropriate adjustments and discounts have been made to reflect those factors. The most recent valuation of land was performed by a registered independent valuer, Quotable Value Limited, Te Aroha and the valuation is effective as at 1 July 2008. Any subsequent additions from this date have been recorded at cost.

Total fair value of property, plant and equipment valued by each valuer is as follows:

2009		2010
Actual $000's		**Actual $000's**
255,291	Quotable Value Limied	0
296,164	MWH New Zealand Limited	332,928
520,966	Opus International Consultants Limited	525,756
0	Curnow Tizard Limited	21,212

Impairment

No impairment losses have been recorded during the 2010 financial year in relation to property, plant and equipment (2009: $nil).

Work in progress

The total amount of property, plant and equipment in the course of construction is $19.77 million (2009: $40.41 million).

Leasing

The net carrying amount of photocopiers held under finance leases is $104,862 (2009: $147,712).

Security

No property, plant or equipment has been pledged as security for any liability.

Note 16 : Intangible assets

For the year ended 30 June 2010

	1 July 2009			30 June 2010							30 June 2010		
Note 16 - Intangible assets 2010	**Cost**	**Accum amortisation Impairment charges**	**Opening carrying amount**	**Current year re-valuation**	**Accum Depn reversed on revaluation**	**Current year additions**	**Current year dis-posals**	**Current year disposals amortisation**	**Amortis-ation Charge**	**Closing Carrying Amount**	**Cost**	**Accum amor-tisation and impairment charges**	**Carrying Amount**
	$000's	**$000's**	**$000's**	**$000's**		**$000's**	**$000's**	**$000's**	**$000's**	**$000's**	**$000's**	**$000's**	**$000's**
Computer software	2,502	1,886	616	0	0	342	0	0	242	716	2,844	2,128	716
Aerial photography	244	155	89	0	0	0	0	0	50	39	244	205	39
Resource consents	1,542	88	1,454	0	0	373	0	0	98	1,729	1,915	186	1,729
Capital work in progress	872	0	872	0	0	189	0	0	0	1,061	1,061	0	1,061
TOTAL INTANGIBLE ASSETS	**5,160**	**2,129**	**3,031**	**0**	**0**	**904**	**0**	**0**	**390**	**3,545**	**6,064**	**2,519**	**3,545**

	1 July 2008			30 June 2009							30 June 2009		
Note 16 - Intangible assets 2009	**Cost**	**Accum amortisation Impairment charges**	**Opening carrying amount**	**Current year re-valuation**	**Accum Depn reversed on revaluation**	**Current year additions**	**Current year dis-posals**	**Current year disposals amortisation**	**Amortis-ation Charge**	**Closing Carrying Amount**	**Cost**	**Accum amor-tisation and impairment charges**	**Carrying Amount**
	$000's	**$000's**	**$000's**	**$000's**		**$000's**	**$000's**	**$000's**	**$000's**	**$000's**	**$000's**	**$000's**	**$000's**
Computer software	2,234	1,548	686	0	0	266	0	0	338	614	2,502	1,886	616
Aerial photography	244	106	138	0	0	0	0	0	49	89	244	155	89
Resource consents	1,308	44	1,264	0	0	234	0	0	44	1,454	1,542	88	1,454
Capital work in progress	650	0	650	0	0	222	0	0	0	872	872	0	872
TOTAL INTANGIBLE ASSETS	**4,436**	**1,698**	**2,738**	**0**	**0**	**722**	**0**	**0**	**431**	**3,029**	**5,160**	**2,129**	**3,031**

Computer software assets

Computer software licences are carried at cost less accumulated amortisation. These intangible assets have been assessed as having a finite life and are amortised using the straight line method over a five year period. The amortisation expense has been recognised in the statement of comprehensive income.

Resource Consents

Resource consents are carried at cost less accumulated amortisation and accumulated impairment losses.

This intangible asset has been assessed as having a finite life and is amortised using the straight line method to allocate the cost of the resource consent over the period for which the consent is granted. The amortisation expense has been recognised in the statement of comprehensive income. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Note 17 : Forestry assets

2009		2010
Actual $000's	**Note 17 - Forestry assets**	**Actual $000's**
1,886	Balance at 1 July	1,581
0	Increases due to purchases	0
89	Gains(Losses) arising from changes attributable to physical changes	233
(394)	Gains(Losses) arising from changes attributable to price changes	263
0	Decrease due to harvest	(129)
1,581	**BALANCE AT 30 JUNE**	**1,948**

5.7 hectares of Zone 1 have been harvested in the year ending 30 June 2010 (2009: nil).

Zone 1:

In March 2005 the Council purchased an area of forest as a result of the responsibility that the Council has in disposing of wastewater from Whangamata Township and the need to ensure the continued availability of the forest area for effluent disposal.

The land is owned by the Crown as State Forest and is now leased by Rayonier (Matariki Forests) under a Crown Forests License. In turn, the Council purchased the trees standing on that parcel of land, known as Zone 1, described further below. The land continues to be Crown owned until such time as the Crown disposes of it.

The total area of the stand was 52 hectares with 37.4 hectares being stocked productive forest, consisting of mature radiata pine. However, in mid 2005 an area of 4.4 hectares was damaged by wind and has subsequently been the subject of an insurance claim. Only the remaining 33 hectares held has been included in the valuation by Hammond Resource Management Ltd. A recent visual inspection of the forest indicates that there has been no further loss of standing trees above the usual level to be expected from any forest stand like this.

The stand is currently in the process of being harvested. 5.7 hectares were harvested in the year ending 30 June 2010, with the remaining 27.3 hectares scheduled for harvesting before 30 June 2011.

Zone 2, 3 and 5:

In January 2008, the Council purchased a further area of Tairua Forest; known as Zones 2, 3 and 5. The purpose of this second purchase was to have additional area of forest available to meet the need for wastewater disposal both as demand increases and as some areas of the forest are taken out of service to facilitate harvesting of mature trees. The total area of the stand is 169.3 hectares of forest consisting of a mixture of both mature radiata pine and younger stands of radiata, along with small areas of other species.

The land is owned by the Crown as State Forest and is now held by Rayonier (Matariki Forests) under a Crown Forest License. In turn, the Council purchased the trees standing on that parcel of land. The Council has been assigned a Tairua Forest Crown Licence from Matariki Forests Limited. The current license fee payable in respect of Tairua Forest is based on the market value of the land. The Council has provided a guarantee to the Crown for the amount of $45,000 to cover the part of the Tairua Crown Forest subject to a Crown Forest Licence. The Council guarantee has been included in Note 30: Contingent liabilities; Council Guarantees.

Valuation

The Council revalues its forestry assets annually and adopts that value. Independent registered valuers, Hammond Resource Management Ltd conducted a valuation of the forestry assets as at 30 June 2010.

The liquidation value has been used to determine the current value of the remaining unharvested area of Zone 1. The liquidation value refers to what the unharvested trees would realise if they were harvested today. This is the value of the trees after deducting harvesting, transport, roading and managment costs from the sale price of the wood (also known as stumpage value) which is usually the value delivered to the mill gate or wharf.For the purposes of the valuation of Zone 2, 3 and 5, the following assumptions have been made:

- The clear fell age upon which to base calculations has been assumed as 28 years for radiata pine. The trees may in reality be held for more than 28 years or may be harvested earlier if this suits the owner.
- To derive the current stand values it is necessary to discount back the future value to the present value and to discount back the costs that have to be incurred in achieving that future value. The valuation model is highly sensitive to the discount rate and consequently to the final value achieved. A pre-tax discount rate of 6.0% has been applied (2009: 6.0%).
- The impact of spray irrigation on tree growth and both external and internal quality, is unknown and therefore at this time there is insufficient data available to incorporate any allowance for the effect that spray irrigation might have on the value of the tree crop, most likely expressed through changes in wood quality including density.

The Council is exposed to financial risks arising from changes in timber prices. The Council intends to hold the forestry long-term and therefore has not taken any measures to manage the risks of a decline in timber prices. The Council reviews its outlook for timber prices regularly in considering the need for active financial risk management.

Note 18 : Joint Venture

The Council has a 40% interest in the Thames Valley Combined Civil Defence Committee. This is a committee run as a joint venture with the Matamata-Piako and Hauraki District Councils, who each have a 34% and 26% interest in the venture, respectively. The Council is the administering body of the joint venture.

The joint venture shares a common balance date with the Council, but the financial statements have not been audited. The Council's share of the surplus/deficit has been included in "share of joint venue surplus/(deficit) in the statement of comprehensive income. The Council's share of equity has been recorded in other financial assets (note 11) in the statement of financial position.

Movements in the carrying amount of the investment in the joint venture:

2009		**2010**
Actual $000's	**Note 18 - Joint Venture**	**Actual $000's**
	Opening balance	68
	Share of surplus/(deficit)	(12)
	CLOSING BALANCE	56
	Council's interest in the joint venture is disclosed in the financial statements of the joint venture under the classifications shown below:	
32	Current assets*	42
50	Non-current assets*	30
(14)	Current liabilities	(16)
68	**NET ASSETS**	**56**
184	Share of income	215
(179)	Share of expenses	(227)
5	**SHARE OF SURPLUS/(LOSS)**	**(12)**

*Prior year assets have been restated to reflect adjustments made to joint venture accounts.

Details of any commitments and contingent liabilities arising from the Council's involvement in the joint venture are disclosed separately in notes 29 and 30.

Details of any related party transactions with the joint venture are disclosed separately in note 28.

Note 19 : Subsidiary

Thames Pensioner Housing Trust

From the 2003/2004 financial year, the Council consolidated the financial statements of the Thames Pensioner Housing Trust and presented group accounts. This was on the understanding that the trust was controlled by the Council. In May 2010, the Office of the Auditor General re-evaluated the status of the trust in relation to the Council and determined that "the Trust was not established by the Council, the Trust is not controlled by the Council, and is not therefore a controlled entity under the Public Audit Act". This decision removes the requirement for the Council to consolidate the Trust's financial statements into consolidated group financial statements and all references to the Trust in this Annual Report have been removed, except for this note.

Note 20 : Creditors and other payables

2009		2010
Actual $000's	**Note 20 - Creditors and other payables**	**Actual $000's**
9,982	Trade payables	9,507
1,746	Deposits and bonds	1,465
2,181	Contract retentions	1,544
165	Accrued expenses	139
705	Revenue in advance	882
14,779	**TOTAL CREDITORS AND OTHER PAYABLES**	**13,537**

Fair value

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

Note 21 : Employee entitlements

2009		2010
Actual $000's	**Note 21 - Employee entitlements**	**Actual $000's**
1,562	Current	1,634
103	Non-current	266
1,665	**TOTAL EMPLOYEE ENTITLEMENTS**	**1,900**
	Employee entitlements are comprised of:	
	CURRENT PORTION	
316	Accrued salaries and wages	384
1,042	Annual leave	1,125
67	Retirement and long service leave*	87
21	Sick leave	38
1,447	Total current portion	**1,634**
	NON-CURRENT PORTION	
218	Retirement and long service leave*	266
218	Total non-current portion	266
1,665	**TOTAL EMPLOYEE ENTITLEMENTS**	**1,900**

*Prior year spilt between current and non-current for retirement and long service was incorrect and has been re-stated.

Note 22 : Provisions

2009		2010
Actual $000's	**Note 22 - Provisions**	**Actual $000's**
351	Current	425
3,450	Non-current	2,814
3,801	**TOTAL PROVISIONS**	**3,239**
	CURRENT PORTION	
223	Landfill aftercare	170
48	Weathertight homes	176
80	Reserve contribution credits	80
351	Total current provisions	426
	NON-CURRENT PORTION	
2,262	Landfill aftercare liability	2,007
1,188	Weather tight homes	806
3,450	Total non-current provisions	2,813
3,801	**TOTAL PROVISIONS**	**3,239**
	Movements for each class of the provison are as follows:	
	Landfill aftercare liability	
3,022	Opening balance	2,485
(380)	Additional/(reduced) provision made during the year	(89)
(132)	Amounts used during the year	(213)
(26)	Discount unwinding	(6)
2,485	Closing balance	2,177
	Weathertight homes	
745	Opening balance	1,236
1,148	Additional/(reduced) provision made during the year	(254)
(657)	Amounts used during the year	0
1,236	Closing balance	982
	Reserve contribution credits	
150	Opening balance	80
0	Additional/(reduced) provision made during the year	0
(70)	Amounts used during the year	0
80	**CLOSING BALANCE**	80

Landfill aftercare

As the owner of various closed landfills around the District, the Council has a legal obligation to ensure these sites are rehabilitated to a standard that minimises any negative impact on the environment. The Council has obtained resource consents for the closure of the following landfills:

- Mercury Bay landfill - granted until 30 June 2037;
- Coromandel landfill - granted until 1 January 2035;
- Thames landfill - granted until 30 September 2044.

The Council has a responsibility under the resource consent to provide long-term maintenance and monitoring until such time that Environment Waikato is satisfied that the leachate quality has improved to a level that does not have a negative impact on the environment.

The Council is in the process of obtaining resource consents for the closure of other major landfills in the District. The full conditions of the consents are unknown until the consent is granted. However it is probable that the Council will be responsible for the provision of ongoing maintenance and monitoring of the landfill after the site is closed. The expected term of the maintenance and monitoring services that will be required is 25 to 35 years.

Expenditure on rehabilitation works will be funded by an internal loan which is serviced by the general rate. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred.

The provision has been estimated taking into account existing technology and known changes to legal requirements. The gross provision before discounting is $5,155,599 (2009: $5,306,609).

The following major assumptions have been made in calculating the provision:

- The discount rate used to arrive at the present value is 7.71% (2009: 7.13%).
- The aftercare has been estimated to continue until 2044. The annual inflation factor applied to the estimated aftercare costs for 2009/2010 to 2018/2019 are the March 2009 Berl forecast used in the 2009-2019 Long-term Council Community Plan and an annual inflation rate of 2.50% has been applied to years 2019/2020 to 2036/2044 (2009: 2.5%).
- Estimates of the life and future expenditure are based on the 2009-2019 Long-term Council Community Plan budgets and the 2010/2011 Annual Plan.

Provision for Weathertight homes

This provision is based on the Council's most likely exposure to notified claims. As at 30 June 2010 the number of unsettled notified claims was ten (2009: 6).

Also see Note 30; Contingent liabilities for further disclosure and comment.

Reserve contribution credits

A provision has been recognised for historic reserve contribution credits, as a result of subdivision's vesting of reserves prior to the introduction of the development contribution policy in October 2004. Applications to recognise these historic reserve credits under the Local Government Act 2002 (LGA) are being addressed by the Council on a case-by case basis.

In the past, a reserve contribution credit has been provided to certain developers for additional reserves land vested in the Council that was over and above the requirement under the Resource Management Act 1991. The reserve contribution requirement under the transitional provisions of the Resource Management Act 1991 was 130m². The credit was then available for developers to apply against reserve contributions required in the future on subsequent subdivisions. The development contributions policy, under the Local Government Act 2002 requires a market valuation to be obtained and the development contributions payable by the developer are then calculated on the average market value of 15m² for each additional allotment. For this reason, the conversion of these historic reserve credits issued under the Resource Management Act 1991 are difficult to measure and quantify under the Local Government Act 2002.

The provision recognises that these credits will result in an outflow of resources representing economic benefits. However estimating the value of these credits is uncertain because it relies on factors such as the future development potential of any residual land, future land values, the value of the land when vested, the zoning of the land and any other district plan mechanism such as structure plans and the reasons for the land being vested at the time.

Also see Note 30; Contingent liabilities for further disclosure and comment.

Financial Guarantees

The Council is listed as sole guarantor to a number of community organisation's bank loans. The Council is obligated under the guarantee to make loan payments in the event the organisation defaults on a loan arrangement. The exercising of guarantees will be dependent on the financial stability of the organisations, which may vary over time.

Financial guarantees have not been recognised at fair value in the statement of financial position. Financial guarantees are disclosed as a contingent liability. For further details refer Note 30; Contingent liabilities.

Note 23 : Borrowings

2009		2010
Actual $000's	Note 23 - Borrowings	Actual $000's
249	Current	29,003
54,984	Non-current	20,231
55,233	**TOTAL BORROWINGS**	**49,234**
	Borrowings were comprised of:	
	CURRENT BORROWINGS	
49	Finance leases	53
200	Term loans	28,950
249	Total current borrowings	29,003
	NON-CURRENT BORROWINGS	
84	Finance leases	44
0	Hire purchase	0
54,900	Term loans	20,187
54,984	Total non-current borrowings	20,231
55,233	**TOTAL BORROWINGS**	**49,234**

The following is a maturity analysis of Council's borrowings including finance leases and hire purchase contracts.

2009		2010
Actual $000's	Maturity Analysis	Actual $000's
	ANALYSIS OF FINANCE LEASES	
49	Current	53
84	Non-current	44
133	**TOTAL FINANCE LEASES**	**97**
	Total minimum finance lease payments are payable:	
58	Not later than one year	59
90	Later than one year and not later than five years	46
0	Later than five years	0
148	Total minimum lease payments	105
(15)	Future finance charges	(8)
133	**PRESENT VALUE OF MINIMUM LEASE PAYMENTS**	*97*
	Present value of minimum finance lease payments are payable:	
49	Not later than one year	53
84	Later than one year and not later than five years	44
0	Later than five years	0
133	**PRESENT VALUE OF MINIMUM LEASE PAYMENTS**	**97**
	ANALYSIS OF LOANS	
200	Current	28,950
54,900	Non-current	20,187
55,100	**TOTAL LOANS**	**49,137**
	Total minimum loan payments payable:	
200	Not later than one year	28,950
54,900	Later than one year and not later than five years	20,187
0	Later than five years	0
55,100	**TOTAL LOANS**	**49,137**

Term loans

Current borrowings represent the amount expected to be settled within 12 months of balance date.

The bank three year rolling flexible rate term loan facilities of $65,000,000 (2009: $65,000,000) are issued at floating rates of interest. The interest rate is reset quarterly based on the 90 day bill rate plus a bank margin for credit risk. These facilities are due to expire on 20 January 2011. However this date may be extended, by agreement, in January of each year.

The bank term loan and committed money market line facility of $5,000,000 (2009: $10,000,000) is issued at floating rates of interest. The interest is reset quarterly at the 90 day bill rate plus a bank margin for credit risk.

The stock issuance debenture of $10,000,000 (2009: $10,000,000) is issued at a floating rate of interest. The interest is set quarterly at the 90 day bill rate plus a margin of 0.15% for credit risk.

The bank fixed rate term loan of $10,000,000 (2009: nil) is set with an interest rate of 6.45%. This loan is due to expire on 24 July 2013.

The stock issuance debenture is due to be repaid in October 2012, at which time the terms and conditions will be renegotiated. If the Council decides to refinance this loan it anticipates that the terms and conditions will be similar to the current arrangement. The only likely change to the current arrangement will be a higher margin for credit risk.

2009			**2010**	
Facilities Held $000's	**Drawings on Facilities $000's**		**Facilities Held $000's**	**Drawings on Facilities $000's**
250	0	Overdraft facility	250	0
10,000	200	Bank term loan and committed money market line facility	5,000	0
20,000	20,000	Bank three-year rolling flexible rate term loan facility	20,000	20,000
15,000	14,900	Bank three-year rolling flexible rate term loan facility	15,000	8,900
30,000	10,000	Bank three-year rolling flexible rate term loan facility	30,000	0
0	0	Bank fixed rate term loan facility	10,000	10,000
45	0	Indemnity/performance bond facility	45	0
400	0	Clean credit facility	400	0
0	0	Energy Efficiency and Conservation Authority (EECA)	237	237
10,000	10,000	Stock Issuance Facility	10,000	10,000
85,695	**55,100**	**TOTAL LIMITS**	**90,932**	**49,137**

Security

The overdraft is unsecured. The maximum amount that can be drawn down against the overdraft facility is $250,000 (2009: $250,000). There are no restrictions on the use of this facility.

The Council's loans are secured through a debenture which grants security to the lender by way of a charge over the Council's general rates and rates revenue. This security is held for all monies advanced in connection with the facilities detailed below, that have a total nominal amount of $90,000,000 (2009: $85,000,000).

Bank term loans and committed money market line facility	$ 5,000,000
Bank three year rolling flexible rate term loan facilities; and	$65,000,000
Bank fixed rate term loan	$10,000,000
The stock issuance facility	$10,000,000
Energy Efficiency Conservation Authority (EECA)	$237,500

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Loan to finance interest express

Included in borrowings for the year under review is the amount of $1,411,875 which was raised to fund the interest on additional capacity loans that was not met by developer's contributions. This is in accordance with the Council's Development Contributions Policy.

Secured loan covenants

The Council is required to ensure that the following covenants for secured loans are achieved during the year:

- Compliance with the Local Government Act 2002 with respect to the keeping and filing of reports, accounts and statements and registration of charges including the debenture trust deed;
- Ensure that the financial statements and other records of the Council are audited and retained for a period of at least seven years after the date on which they are made or the date of completion of the transaction to which they relate in accordance with statutory requirements;
- Give notice in writing to the trustee of any matter which would cause any current stock issuance certificate to be materially defective;
- Compliance with the Securities Act applicable to the issuance of stock, prior to the issue of any prospectus or investment statement and forward a draft copy to the trustee;
- Provide details of the amount owing in respect of security stock to the trustee within ten business days whenever requested;
- Notify the trustee immediately in writing of the occurrence of any enforcement event giving full details of any action that has been taken as a result;
- Refund the trustee for all expenditure plus interest if deemed necessary or expedient by reason of any default on the part of the Council in performing any of covenants; and
- To provide the trustee with a copy of the following reports:
    1. Long-term Council Community Plan, Annual Plan, Annual Report and Liability Management Policy within one month of adoption.
    2. Interim financial information prepared for external distribution;
    3. Material amendments to any Long-term Council Community Plan or Liability Management Policy that have been approved and adopted by the Council;
    4. Reporting certificate completed and signed at the same time that the Annual Report and interim financial information is furnished and within 21 days of a written request by the trustee;
    5. Any information requested by the trustee with respect to matters relating to the financial statements.

Fair value

The fair value of finance leases is $104,862 (2009: $147,712). Fair value has been determined using contractual cash flows discounted using a rate based on market borrowing rates at balance date ranging from 8% and 9% (2009: 8% and 9%).

The carrying amounts of secured loans approximate their fair value because interest rates reset to a market rate each quarter.

Description of leasing arrangements

Finance leases have been entered into for photocopiers. The net carrying amount of the leased items within property, plant and equipment is included in Note 15 Property, plant and equipment.

The finance leases can be renewed at the Council's option, with rents set by reference to current market rates for items of equivalent age and condition. The terms of the leases are for three years. The Council does not have the option to purchase the asset at the end of the lease term.

The Council is not permitted to pledge the leased assets as security nor can it sublease the leased equipment without the permission of the lessor. There are no other restrictions placed on the Council by any of the finance leasing arrangements.

Compliance

The Council manages its borrowings in accordance with its funding and financial policies, which includes a liability management policy. These policies have been adopted as part of the Council's 2009-2019 Long-term Council Community Plan.

There have been no significant amendments to or departures from the investment policy during the year ended 30 June 2010 (2009: nil).

Note 24 : Reconciliation of Net Surplus/(Deficit) to Net Cash Flow from Operating Activities

2009		2010
Actual $000's	**Note 24 - Reconciliation of Net Surplus/(Deficit) to Net Cash Flow from Operating Activities**	**Actual $000's**
3,727	**Reported operating surplus**	**3,317**
	Add(less) non-cash items	
(3,144)	Vested assets	(1,467)
431	Amortisation	390
13,708	Depreciation	15,787
305	(Gains)/losses in fair value of forestry assets	(367)
(150)	Net (gains)/losses on foreign exchange	0
850	Net (gains)/losses on interest rate swaps	1,320
491	Movement in weathertight buildings provision	(253)
(70)	Movement in reserve contribution credits	0
252	Movement in doubtful debt provision	91
90	Impairment of property intended for sale	147
(537)	Interest unwind on landfill aftercare	(309)
12,226		15,339
	Add(less) movements in working capital items	
(1,431)	Increase/(decrease) in accounts payable	1,179
186	Increase/(decrease) in employee benefits	235
(1,351)	(Increase)/decrease in accounts receivable	2,385
(2,596)		3,799
	Add(less) items classified as investing activities	
3,477	Net losses on sale of property, plant and equipment	2,582
16,834	**NET CASH INFLOW FROM OPERATING ACTIVITIES**	**25,037**

Note 25 - Segmental reporting

The Council provides local authority services to ratepayers and other residents of the Coromandel Peninsula.

Note 26 - Severance agreements

Under clause 19(i) a of schedule 10 of the Local Government Act 2002, the Council is required to disclose:

1. The amount of any severance payments made to any Chief Executive who vacated office in the year,
2. The number of employees to whom severance payments were made in the year, and
3. The amount of every such severance payment.

There have been no severance payments to former employees during the year ending 30 June 2010 (2009: nil).

Note 27 - Remuneration

Elected representatives received the following remuneration:

2009 Actual $000's	Note 27 - Remuneration	2010 Actual $000's
	Elective Representatives	
93	Mayor Philippa Barriball JP	97
37	Deputy Mayor Adrian Catran JP	43
28	Councillor Bill Barcley	30
27	Councillor Jan Bartley	28
31	Councillor Noel Hewlett JP	33
27	Councillor Dal Minogue	28
33	Councillor John Morrissey	37
34	Councillor Strat Peters	37
27	Councillor Dirk Sieling	29
337	**TOTAL ELECTED REPRESENTATIVES' REMUNERATION**	362

The Chief Executive received the following remuneration:

2009	Chief Executive	2010
273	Salary	279
19	Vehicle (market value plus FBT)	17
1	Telephone	1
1	Professional fees	1
5	Medical insurance (market value plus FBT)	5
298	**TOTAL CHIEF EXECUTIVE'S REMUNERATION**	303

For the year ended 30 June 2010, the total annual cost including fringe benefit tax to the Council of the remuneration package being received by the Chief Executive is calculated at $302,670 (2009 $298,231).

Note 28 - Related party transactions

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with the Council (such as payment of rates, purchase of rubbish bags etc).

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties during the year ending 30 June 2010 (2009: nil). No related party debts have been written off or forgiven during the period (2009: nil).

The following transactions were carried out with related parties:

1. Greg de Laborde, who was a member of staff up until 26 February 2010, is a director/shareholder of Twentyfour Oceans Limited. This company provides ongoing management and consulting and software services to the Council that includes software maintenance, training and support. These services from 1 July 2009 to 26 February 2010 amounted to $18,237.77 plus GST. (2009 $57,000).

2. Naomi Harsant is a library assistant employed by the Council and is the wife of Arthur Harsant who undertakes various handyman type tasks for the Council. Amounts paid to Arthur Harsant for the year under review amounted to $328.79.

3. Margaret Harrison is a staff member at the Coromandel office and is a trustee of the Coromandel Independent Living Trust. Payments made to the trust for the year under review amounted to $1,292.00.

4. Hunsa Newland is a librarian employed by the Council whose partner owns Thames Hire Centre. Amounts paid to the Thames Hire Centre for the year under review amounted to $180.44 plus GST.

5. Christine Toogood is employed by the Council as a casual library assistant at the Whitianga library. She also undertakes cleaning services under contract for the Council. Amounts paid to her for cleaning services for the year under review amounted to $14,999.00.

6. Katherine Davies is a senior policy planner employed by the Council. Her partner is a director/shareholder of KTB Planning Consultants Limited who provide planning services to the Council. Amounts paid to KTB Planning Consultants Limited for the year under review amounted to $81,897.50 plus GST.

7. Dirk Sieling is a member of the Council and leases a property at 90 Moewai Road, Whitianga. For the year under review lease rental received by the Council amounted to $19,000.00 plus GST. An additional invoice for rent issued in June 2010 for $8,062.00 plus GST was not actually paid by balance date. (2009 $90,000).

8. John Morrissey is a member of the Council and is a director/shareholder of Morrissey Automotive Services Limited of Coromandel. Amounts paid to Morrissey Automotive Services Ltd for the year under review amounted to $171.00.

Key Management Personnel

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

2009		2010
Actual $000's	**Note 28 - Related party transactions**	**Actual $000's**
	KEY MANAGEMENT PERSONNEL	
1,460	Salaries and other short term employee benefits	1,462
0	Post employment benefits	0
0	Other long term benefits	0
0	Termination benefits	0

Thames Valley Combined Civil Defence Committee

The Thames Valley Combined Civil Defence Committee is a joint venture of the Council, that provides rural fire and emergency services.

	THAMES VALLEY COMBINED CIVIL DEFENCE COMMITTEE	
178	Grants and levies paid by Council	197
40	Council reimbursements to EPU for items bought on behalf of Council	43
25	Council reimbursements to EPU for assets purchased on behalf of Council	0
1	Administration services provided by Council including rent and rates	20
0	Insurance and ACC levies reimbursed to Council as paid on behalf of EPU	28
0	Other reimbursements to Council paid on behalf of EPU	53
181	Gross salaries reimbursed to Council as paid on behalf of EPU	211

Local Authority Shared Services Limited

The Council has an interest in the above company which was established to provide a shared service to local authorities within the Waikato Region, in particular a shared valuation database service.

	LOCAL AUTHORITY SHARED SERVICES LIMITED	
54	Services provided to Council	51
0	Accounts receivable from Council	0
0	Shareholding in Local Authority Shared Services Ltd provided to Council	0
108	Shareholding in Shared Valuation Database Service provided to Council	0
23	Shareholding in Waikato Regional Transport Model provided to Council	0

Note 29 - Events after balance date

No post balance date events occurred up to the date of the report adoption that are known to have a material affect on the financial statements and notes to the financial statements of the Council.

Note 30 - Contingent Liabilities

The Council is aware of the following contingent liabilities as at 30 June 2010:

2009		2010
Actual $000's	**Note 30 - Contingent liabilities**	**Actual $000's**
	Pending litigation: The maximum possible amounts are stated in all cases	
567	Miscellaneous non-insured claims	822
470	Wastewater biosolids infrastructure	0
5,666	Weather tight homes	7,092
2,056	Council guarantees	1,986
8,759	**TOTAL CONTINGENT LIABILITIES**	**9,900**

Native lands agreement

In 1877 the Thames Borough Council entered an agreement with local iwi for the purchase of land required for the Paeroa-Thames highway. As part of the agreement the Council agreed that any land owned by iwi would be exempt from rates indefinitely. The Maori Land Court subsequently ruled that the agreement was ultra vires Council's statutory powers. The Council has assessed rates on properties affected by the agreement for a number of years.

In 1999, the Council reviewed the background to this issue and agreed to enter into discussions with iwi to explore ways of settling the grievance issues that they have with the Council in relation to this matter. These discussions are continuing and may lead to the need to refund some rates previously assessed.

Weathertight homes

28 claims have been lodged to date with the Weathertight Homes Resolution Service (WHRS) for buildings located within the District (2009: 21). Of these, ten claims were registered on the WHRS website as active as at 30 June 2010 (2009: 8 claims). The amounts sought by the claimants of these unsettled claims total to $6,225,000 including two for unknown amounts (2009: 6 claims totalled $4,921,000 including four for unknown amounts). Claims are dealt with on a case by case basis.

It is not yet certain whether these claims are valid and whom will be liable for the claimed building defects, therefore the Council is unable to assess it's exposure to the claims lodged with Weather Tight Home Resolution Service.

The Council may have a potential liability for settlement of claims arising in relation to the Weather Tight Homes Resolution Services Act 2006. These claims relate to weather tightness issues on homes in the Thames-Coromandel area where the Council is named as one of the defendants. The events which gave rise to the Council's exposure for any building weather-tightness generally occurred prior to 2004.

The Council therefore has a residual claims exposure for any building weather-tightness claims which may be brought prior to 2013 (the legislative timeframe within which claimants can lodge claims for events which occurred prior to 2004). The Council have an unquantified contingent liability in relation to potential future claims which have not yet been advised and therefore are unable to be recognised as a potential liability at this stage. However, the Council has included $1,340,000 in this contingency as an estimation of possible emergent claims (2009: $1,742,000). Unreported claims are treated as a contingency owing to the inherent uncertainties in quantifying the number and quantum of unreported claims.

A provision has been recognised for accounting purposes for the potential settlement of claims that have been notified to the Council at balance date in Note 22; Provisions. The provision has recognised $982,500 as a liability in the statement of financial position (2009: $1,235,500). A decrease in expenditure has been recognised in the statement of financial performance reflecting the the reduction in the provision of $253,000 (2009: $491,000 increase in provision and expenditure). Refer to Note 22; Provisions.

Reserve contribution credits

At balance date, land being vested in the Council for the purpose of the Whitianga sportsfield project is under consideration. Development contributions are payable by the developer if the Council resolves to utilise alternative land for the Whitianga sportsground project. Alternatively, if the Council decides to accept the land proposal, the land vested would then be recognised as an asset in the statement of financial position, development contributions would be recognised as revenue in the statement of financial performance and a related reserve contribution credit liability would crystallise that could be used to offset future neighbourhood reserve contributions payable by this developer.

Council Guarantees

The Council is listed as a guarantor to a number of sporting and community organisation bank loans. The Council is obligated under the guarantee to make loan payments in the event the organisation defaults on a loan arrangement. The exercising of guarantees will be dependent on the financial stability of the community organisations, which will vary over time.

The terms and conditions of the guarantee require:

- The organisation to provide the Council with a copy of their annual report and proposed budget to enable the financial stability to be assessed on an annual basis, and
- An indemnity to the Council that transfers ownership of the assets to the Council in the event of the guarantee being called up.

The Council's exposure to any risk is therefore mitigated and considered minimal.

These have not been recognised as liabilities in the statement of financial position as the Council consider there is very little probability that any expenditure will be incurred to settle them.

The following loan guarantees have been given by the Council:

2010				
Year of Guarantee	Term in Years		Amount of Original Guarantee 000's	Current Level of Guarantee Outstanding 000's
Aug-1997	15	Thames Squash Rackets Club Inc	50	9
Feb-2001	25	Thames Tennis Club	98	37
Jul-2002	15	Thames Pensioner Housing Trust	510	235
Jan-2009	25	Housing New Zealand	1,283	246
Jan-2008	Not applicable	Land Information New Zealand*	45	45
			1,986	**572**

2009				
Year of Guarantee	Term in Years		Amount of Original Guarantee 000's	Current Level of Guarantee Outstanding 000's
Feb-2001	10	Thames Coast Bowling Club	70	0
Aug-1997	15	Thames Squash Rackets Club Inc	50	2
Feb-2001	25	Thames Tennis Club	98	38
Jul-2002	15	Thames Pensioner Housing Trust	510	276
Jan-2009	25	Housing New Zealand	1,283	246
Jan-2008	Not applicable	Land Information New Zealand*	45	45
			2,056	**607**

*The Council has entered into a performance bond with Land Information New Zealand to provide the Crown with security in the form of a bond that ensures that the Council's obligations under the Crown Forest Licence are fulfilled.

Employer contributions to defined contribution plans

The Council is a participating employer in the DBP Contributors Scheme (the scheme), which is a multi-employer defined benefit scheme.

If the other participating employers ceased to participate in the scheme, the Council could be responsible for any deficit of the scheme. Similarly, if a number of employers ceased to participate in the scheme, the Council could be responsible for an increased share of any deficit.

As at 31 March 2010, the scheme had a past service surplus of $30.462 million (exclusive of employer superannuation contribution tax). This surplus was calculated using a discount rate equal to the expected return on net assets, but otherwise the assumptions and methodology were consistent with the requirements of NZ IAS 19.41 The actuary of the scheme has recommended the employer contribution remain at 1.0 times contributor's contributions.

Joint venture contingent liabilities

There are no contingent liabilities associated with the joint venture, Thames Valley Combined Civil Defence Committee, as at 30 June 2010 (2009: nil).

Contingent Assets

The Council has no contingent assets (2009: $nil).

Note 31 - Commitments

Operating Leases as Lessee

The Council leases property, plant and equipment in the normal course of business. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

2009 Actual $000's	Note 31 - Commitments	2010 Actual $000's
	Non-cancellable operating leases as lessee	
	Non-cancellable operating lease commitments	
20	Not later than one year	19
19	Later than one year, not later than two years	9
9	Later than two years, not later than five years	0
0	Later than five years	0
48		28
	Non-cancellable contracts for operation of water, stormwater, wastewater, roading, solid waste collection and disposal, and community facilities	
13,006	Not later than one year	15,753
10,214	Later than one year, not later than two years	12,908
11,514	Later than two years, not later than five years	10,675
0		0
34,734		39,336
3,833	Other contracts for miscellaneous operating functions	2,678
38,615	TOTAL NON-CANCELLABLE OPERATING LEASES AND CONTRACTS	42,042

Joint venture operating lease commitments

There are no operating lease commitments associated with the joint venture, Thames Valley Combined Civil Defence Committee, as at 31 March 2010 (2009: nil).

Capital Commitments

Capital commitments

8,902	Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	6,584
47,517	**TOTAL COMMITMENTS**	**48,626**
22,038	In addition to these commitments above, Council has authorised additonal capital works for 2010/11 in the 2010/11 annual plan	22,915
30,940	**TOTAL CAPITAL WORKS FOR 2010/11 YEAR**	**29,499**

Joint venture commitments

There are no capital commitments in relation to the Council's interest in the joint venture, Thames Valley Combined Civil Defence Committee, as at 30 June 2010 (2009: nil).

Operating Leases as Lessor

The Council leases some properties held for future strategic purposes under operating leases. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

OPERATING LEASES AS LESSOR

	Non-cancellable operating leases as lessor	
	Non-cancellable operating lease commitments	
781	Not later than one year	820
1,599	Later than one year, not later than five years	2,364
3,310	Later than five years	5,310
5,690	**TOTAL NON-CANCELLABLE LEASES OPERATING LEASES AS LESSOR**	**8,494**

No contingent rents have been recognised in the statement of comprehensive income during the period.

For further details on properties leased by the Council to related parties, refer Note 28; Related party transactions.

Note 32 - Capital works programme

2009		2010			
Total Expended $000's	Note 32 - Capital works programme -- activity by catchment area	Completed Work $000's	Work in Progress $000's	Total Expended $000's	Budget $000's
	DISTRICT				
251	Public Conveniences	31	0	31	156
11	Leadership	0	0	0	352
0	Economic Development	176	0	176	0
929	Strategic Planning	1,215	11	1,226	1,918
21	Emergency Management	44	0	44	63
81	Cemeteries	12	5	17	453
0	Harbours	3	0	3	0
1,022	Natural Cultural and Heritage	89	0	89	0
7,239	District Transportation	7,064	79	7,143	7,963
108	Solid Waste Disposal	265	0	265	445
18,582	Wastewater	778	4,102	4,880	10,115
28,243		**9,676**	**4,197**	**13,873**	**21,464**
	THAMES				
65	Local Transportation	31	3	33	92
6	Halls	14	0	14	2
104	Libraries	166	0	166	199
0	Harbours	0	0	0	0
14	Swimming Pools	5	289	294	0
344	Parks and Reserves	27	0	27	70
12	Stormwater	47	34	81	581
125	Water	137	345	482	2,342
670		**426**	**670**	**1,096**	**3,286**
	COROMANDEL				
45	Local Transportation	47	0	47	56
11	Halls	0	3	3	31
0	Libraries	0	0	0	0
0	Harbours	0	0	0	0
0	Plant and Equipment	0	0	0	0
250	Parks and Reserves	91	0	91	195
60	Stormwater	0	38	38	195
55	Water	96	0	96	285
421		**234**	**41**	**276**	**762**
	MERCURY BAY				
500	Local Transportation	150	319	468	462
9	Halls	0	0	0	0
84	Libraries	49	0	49	72
35	Harbours	0	129	129	231
674	Parks and Reserves	84	29	113	176
17	Stormwater	114	5	119	275
512	Water	88	1	89	185
1,832		**485**	**482**	**967**	**1,401**

2009		2010			
Total Expended $000's	Note 32 - Capital works programme -- activity by catchment area	Completed Work $000's	Work in Progress $000's	Total Expended $000's	Budget $000's
	TAIRUA/PAUANUI				
464	Local Transportation	43	32	75	470
10	Halls	321	0	321	519
13	Libraries	10	0	10	9
0	Harbours	0	0	0	0
161	Parks and Reserves	82	5	87	250
197	Stormwater	52	4	56	359
762	Water	68	31	99	1,416
1,608		**577**	**72**	**649**	**3,023**
	WHANGAMATA				
353	Local Transportation	80	0	80	142
102	Halls	0	60	60	163
0	Libraries	0	0	0	0
0	Harbours	0	0	0	0
94	Parks and Reserves	69	3	72	119
268	Stormwater	16	3	19	359
66	Water	124	0	124	220
883		**288**	**67**	**355**	**1,003**
33,657	**TOTAL FOR THE DISTRICT**	**11,686**	**5,530**	**17,216**	**30,940**

2009		2010			
Total Expended $000's	Note 32 - Capital Works Programme - Activity	Completed work $000's	Work in progress $000's	Total Expended $000's	Budget $000's
1,428	Local Transportation	350	353	703	1,222
7,239	District Transportation	7,064	79	7,143	7,963
251	Public Conveniences	31	0	31	156
11	Leadership	0	0	0	352
0	Economic Development	176	0	176	0
929	Strategic Planning	1,215	11	1,226	1,918
21	Emergency Management	44	0	44	63
81	Cemeteries	12	5	17	453
139	Halls	335	64	399	715
201	Libraries	224	0	224	279
1,022	Natural Cultural and Heritage	89	0	89	0
35	Harbour Facilities	3	129	131	231
14	Swimming Pools	5	289	294	0
1,525	Parks and Reserves	353	37	390	810
108	Solid Waste Disposal	265	0	265	445
552	Stormwater	229	85	313	1,770
18,582	Wastewater	778	4,102	4,880	10,115
1,520	Water	514	377	890	4,448
33,657	TOTAL PER ACTIVITY	11,686	5,530	17,216	30,940

Note 33 - Financial instrument categories

The accounting policies for financial instruments have been applied to the line items below:

Note 33a- Financial instrument categories

2009		2010
Parent 000's	Note 33a - Financial instrument categories	Parent 000's
	Financial assets	
	Fair value through surplus or deficit-held for trading	
0	Derivative financial instrument assets	0
	Loans and receivables	
66	Cash and cash equivalents	260
8,602	Debtors and other receivables	6,353
152	Rates postponement receivables	174
	Other financial assets	
73	Term deposits	77
0	Other receivables	0
8	Community loans	4
8,901	**Total loans and receivables**	6,868
	Fair value through other comprehensive income	
	Other financial assets	
141	Unlisted shares	208
141	**Total fair value through other comprehensive income**	208
	Financial liabilities	
	Fair value through surplus or deficit-held for trading	
521	Derivative financial instrument liabilities	1,841
	Financial liabilities at amortised cost	
14,779	Creditors and other payables	13,537
	Borrowings	
133	Finance Lease liabilities	97
55,100	Term loans	49,137
70,012	**TOTAL FINANCIAL LIABILITIES AT AMORTISED COST**	62,771

Note 33b- Fair value hierarchy disclosures

For those instruments recognised at fair value on the statement of financial position, fair values are determined according to the following hierarchy:

- *Quoted market price* – Financial instruments with quoted prices for identical instruments in active markets.
- *Valuation technique using observable inputs* – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- *Valuation techniques with significant non-observable inputs* – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value on the statement of financial position:

	2010			
		Valuation technique		
Note 33b - Fair value hierarchy disclosures	**Total**	**Quoted market price**	**Observable inputs**	**Non observable inputs**
	$000's	**$000's**	**$000's**	**$000's**
Financial assets				
Derivatives	0		0	
Shares	208			208
Financial liabilities				
Derivatives	1,841		1,841	

	2009			
		Valuation technique		
	Total	**Quoted market price**	**Observable inputs**	**Non observable inputs**
	$000's	**$000's**	**$000's**	**$000's**
Financial assets				
Derivatives	0		0	
Shares	141			141
Financial liabilities				
Derivatives	521		521	

Note 33c- Financial instrument risks

The Council is party to financial instruments as part of its normal operations. The Council has a series of policies to manage the risks associated with financial instruments. The Council is risk averse and seeks to minimise exposure arising from its treasury activities. The Council has a liability management policy and an investment policy that provides risk management for interest rates and the concentration of credit risk.

These policies do not allow any transactions that are speculative in nature to be entered into.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Council is not exposed to equities securities price risk on its investments.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. Borrowings and investments issued at fixed rates of interest expose the Council to fair value interest rate risk.

The Council's liability management policy outlines the level of borrowing that is considered acceptable using fixed rate instruments. In the normal course of business, any long-term debt is at floating interest rates. Short-term borrowing and investments are subject to normal market fluctuations. Interest rate management instruments are used to manage floating wholesale market interest rate movements by converting floating rates to fixed rates. Consequently, investments at fixed rates expose the Council to fair value interest rate risk.

The interest rates on the Council's investments are disclosed in Note 10; *Derivative Financial Instruments* and on Council's borrowings in Note 23; *Borrowings*.

The Council borrowed at fixed rates directly. Under the interest rate swaps, the Council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Cash flow rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Council to cash flow interest rate risk.

Generally, the Council raises long-term borrowings at floating rates and swaps them into fixed rates using interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if the Council borrowed at fixed rates directly. Under the interest rate swaps, the Council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit Risk

Credit risk is the risk that a third party will default on its obligation to the Council causing it to incur a loss. Due to the timing of its cash inflows and outflows, surplus cash is invested into term deposits which give rise to credit risk. Financial instruments which potentially subject the Council to credit risk, principally consist of cash and on-call deposits, accounts receivable, investments in company shares and interest rate swaps.

The Council's investment policy limits the amount of credit exposure to any one financial institution or organisation. The Council reduces its exposure to credit risk by only placing investments in accordance with its investment policy which ensures dispersion and minimisation of risk.

Credit risk is minimised as a result of several key controls:

- Maintaining maximum limits for the amount of credit exposure with any one institution,
- Limiting investments to registered banks and strongly rated state owned enterprises and corporations,
- Controlling the level and spread of accounts receivable outstanding.

As a result of these controls there are no significant concentrations of credit risk. The maximum exposure to credit risk at 30 June 2010 is the fair value of these instruments as stated in the statement of financial position.

The Council has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Maximum exposure to credit risk

The Councils maximum credit risk exposure for each class of financial instrument is as follows:

2009		**2010**
Actual 000's	**Note 33c - Financial instrument risks**	**Actual 000's**
139	Cash at bank and term deposits	337
8,602	Debtors and other receivables	6,353
152	Rates postponement receivables	174
8	Community loans	4
0	Derivative financial instrument assets	0
607	Financial guarantees	572
9,508	TOTAL CREDIT RISK	7,440

Credit Quality of Financial Assets

The credit quality of financial assets that are neither past due nor impaired have been assessed by reference to Standard and Poor's credit rating's (if available) or to historical information about counterparty default rates:

2009 Actual 000's		2010 Actual 000's
	Counterparties with credit ratings	
	Cash at bank and term deposits	
139	AA	337
139	Total cash at bank and term deposits	337
	Derivative financial instrument assets	
0	AA	0
0	TOTAL DERIVATIVE FINANCIAL FINANCIAL INSTRUMENT ASSETS	0
	Counterparties without credit ratings	
	Community loans	
8	Existing counterparty with no defaults in the past	4
	Existing counterparty with defaults in the past	
8	TOTAL COMMUNITY LOANS	4

Debtors and other receivables mainly arise from the Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. The Council has only one significant concentration of credit risk in relation to debtors (New Zealand Transport Agency).

This concentration of risk and reliance on Government is not considered to be a matter of concern because of the New Zealand Government's strong credit rating.

The Council has $336,813 cash and cash equivalents held in deposit accounts with ANZ National Bank Limited, Bank of New Zealand and Westpac New Zealand. These financial institutions have opted into the New Zealand Retail Deposit Guarantee Scheme that provides a guarantee of deposits held to a maximum limit of $1,000,000 NZD per investor and per guaranteed institution until 12 October 2010. The total value of bank deposits held by the Council with these banks is therefore covered by the guarantee.

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

Provision of additional capacity infrastructure for growth and the associated development contributions risk

The provision of additional capacity for growth within the Council's infrastructural assets is a key driver of a significant portion of the Council's capital works programme.

To date the Council has had a policy of providing the infrastructure required to meet the needs of both existing and new development in the serviced settlements. This policy has included expanding that infrastructure to meet the needs of forecast growth that is allowed for through the district plan. The provision of this spare capacity is developed based upon the Council's growth projections.

The Council funds this additional capacity capital expenditure through debt which is then repaid through development contributions received from developers.

It is important to recognise that development is a business decision made by individual developers, not by the Council. Ultimately it is the developer who will determine if, when, and where they develop land. Developers can often be motivated by market forces as well as the viability of their proposed development.

There is a risk that given that the Council currently provides the infrastructure for growth, that if the growth does not materialise as projected then the Council may need to fund the shortfall until the growth crystallises. As such, any deferment in growth may require the Council to raise additional debt to cover the shortfall in development contributions not collected resulting from such a slow down.

In managing this risk, the Council has closely monitored projected and actual growth within the District. In cases where envisaged growth has not eventuated the Council has, where considered prudent to do so, sought to defer the provision of the associated additional capacity infrastructure.

Liquidity Risk

The management of liquidity risk

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

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

The Council manages its borrowings in accordance with its funding and financial policies, which includes a liability management policy. These policies have been adopted as part of the Council's Long-term Council Community Plan.

The Council has a maximum amount that can be drawn down against its overdraft facility of $250,000 (2009: $250,000). There are no restrictions on the use of this facility. For a summary of the facilities held by the Council refer to Note 23: *Borrowings*.

The Council seeks to manage liquidity risk by continuously monitoring forecast and actual cash flow requirements and matching the maturity profiles of financial assets and liabilities.

Contractual Maturity Analysis of Financial Liabilities

The maturity profiles of the Council's interest bearing investments and borrowings are disclosed in Note 10; Derivative Financial Instruments and Note 23; Borrowings.

The following table analyses financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on the floating rate debt are based on the floating rate on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows.

			2010		
Contractual maturity analysis: liabilities	**Carrying amount $000's**	**Contractual cash flows $000's**	**Less than 1 year $000's**	**1-5 years $000's**	**More than 5 years $000's**
Creditors and other payables	13,537	13,537	13,537	0	0
Not settled derivative liabilities	1,841	1,841	1,138	586	117
Secured loans	49,137	49,137	28,950	20,187	0
Finance leases	97	105	59	46	0
Financial guarantees	572	572	572	0	0
Total	**65,184**	**65,192**	**44,256**	**20,819**	**117**

			2009		
Contractual maturity analysis: liabilities	**Carrying amount $000's**	**Contractual cash flows $000's**	**Less than 1 year $000's**	**2-5 years $000's**	**More than 5 years $000's**
Creditors and other payables	14,779	14,779	14,779	0	0
Not settled derivative liabilities	521	521	452	262	(193)
Secured loans	55,100	55,100	200	54,900	0
Finance leases	133	148	58	90	0
Financial guarantees	607	607	607	0	0
Total	**71,140**	**71,155**	**16,096**	**55,252**	**(193)**

The table below analyses derivative financial instrument liabilities into those that are settled net and those that will be settled on a gross basis into their relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	2010				
Contractual maturity analysis: assets	**Carrying amount $000's**	**Contractual cash flows $000's**	**Less than 1 year $000's**	**1-5 years $000's**	**More than 5 years $000's**
Cash and cash equivalents	260	260	260	0	0
Debtors and other receivables	6,353	6,353	5,668	684	0
Rates postponement receivables	174	174	0	0	174
Not settled derivative assets	0	0	0	0	0
Other financial assets:					
Term deposits	77	77	77	0	0
Unlisted shares	0	0	0	0	152
Other receivables	0	0	0	0	0
Community loans	4	4	4	0	0
Total	**6,868**	**6,868**	**6,009**	**684**	**326**

	2009				
Contractual maturity analysis: assets	**Carrying amount $000's**	**Contractual cash flows $000's**	**Less than 1 year $000's**	**1-5 years $000's**	**More than 5 years $000's**
Cash and cash equivalents	66	66	66	0	0
Debtors and other receivables	8,602	8,602	8,272	322	9
Rates postponement receivables	152	152	0	0	152
Not settled derivative assets	0	0	0	0	0
Other financial assets:					
Term deposits	73	73	73	0	0
Unlisted shares	141	141	0	0	141
Other receivables	0	0	0	0	0
Community loans	8	9	5	4	0
Total	**9,043**	**9,044**	**8,416**	**326**	**302**

Sensitivity Analysis

The table below illustrates the potential surplus or deficit and equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on financial instrument exposures at the balance date.

	2010			
	-100bps		+100bps	
Sensitivity analysis	Surplus $000's	Other Equity $000's	Surplus $000's	Other Equity $000's
INTEREST RATE RISK				
Financial assets				
Cash and cash equivalents	0	0	0	0
Derivatives -held for trading	0	0	0	0
Financial liabilities				
Derivatives -held for trading	(4,247)	0	1,406	0
Borrowings				
Bank overdraft	0	0	0	0
Term loans	0	0	0	0
Total sensitivity to interest rate risk	**(4,247)**	**0**	**1,406**	**0**

	2009			
	-100bps		+100bps	
Sensitivity analysis	Surplus $000's	Other Equity $000's	Surplus $000's	Other Equity $000's
INTEREST RATE RISK				
Financial assets				
Cash and cash equivalents	(1)	0	1	0
Derivatives -held for trading	0	0	0	0
Other financial assets				
Financial liabilities				
Derivatives -held for trading	(3,677)	0	1,406	0
Borrowings				
Bank overdraft	0	0	0	0
Term loans	(16)	0	16	0
Total sensitivity to interest rate risk	**(3,694)**	**0**	**1,423**	**0**

Explanation of interest rate risk sensitivity

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease in 50 bps is equivalent to a decrease in interest rates of 0.5%.

The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of -100bps/+100bps (2009 -100bps/+100bps).

Note 34 - Capital management

The Council's capital is its equity (or ratepayers funds), which comprise retained earnings, asset revaluation reserves and fair value through comprehensive income reserves. Equity is represented by net assets.

The Local Government Act 2002 requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

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

The Act requires the Council to make adequate and effective provision in its Long-term Council Community Plan and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. And the Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's Long-term Council Community Plan.

The Council has the following Council created reserves:

- Specifically named reserves available to fund activities
- Retained revenue reserves available to fund activities
- Funded depreciation reserves to fund capital items
- Special LGAC reserves to fund capital items

Note 35 - Explanation of major variances against budget

Explanations for major variances from the Council's budget in the 2009-19 Long-term Council Community Plan are as follows:

Statement of Comprehensive Income

The Councils operating surplus of $3.32 million compares with a budgeted surplus of $5.86 million. This is due to the net effect of the following variances in revenue and expenditure detailed further below.

Revenue was $76.32 million (including assets vested in the Council) compared to the budgeted revenue of $79.93 million.

Expenditure was $72.99 million compared to the plan of $74.07 million.

Revenue

Refer to Note 3: Revenue.

Acitivty Revenue

Activity revenue variances are reported in detail by significant activity in the cost of service statements in section three: Council Activities.

Rates revenue

Rates are showing an increase from the planned figure of $57.38 million to $57.84 million, a difference $0.46 million which is due to shifts in the rating database numbers between the time of the budget for the 2009-19 Long-term Council Community Plan is finalised and the actual assessment of rates is conducted at the end of close of the District valuation roll.

Subsidies revenue

The subsidies revenue received from New Zealand Transport Agency was $0.35 million lower than budget, largely due reduced expenditure by the Council. Subsidies are directly linked to the amount of money the Council spends in the roading activity, whether capital expenditure or operating expenditure.

For further details refer to roading cost of service statement within section three of this report.

Vested assets

Vested assets are mainly infrastructural assets received from developers once a subdivision is complete. This is a non cash item and is subject to the number of subdivisions that are completed during the year. Assets worth $1.47 million have been vested in the Council which is below the budget due to reduced subdivision activity in the present economic climate.

Expenditure

Refer to Note 4: Expenditure.

Depreciation and amortisation

Depreciation is less than budget because some large capital projects were not completed by the end of June 2009 which had been expected to attract a full year's depreciation, but did not do so. The major project in this category is the Whangamata wastewater treatment plant upgrade.

Personnel costs

Personnel costs show as $1.48 million higher than the budget of $10.99 million. The budget for employee costs was incorrectly stated in the 2009-19 Long-term Council Community Plan and should be shown as follows:

Budget 2010	Actual 2010
$12.935m	$12.472m

The understatement in the budget of $1.947 is overstated in the category "other direct operating expenses".

Finance costs

Finance costs are lower than budget due to less capital expenditure than budgeted occurring, and therefore less borrowing was required.

Other direct operating costs

Operating expenditure variances are reported in detail by significant activity in the cost of service statements in section three: Council Activities.

Other losses

During the replacement process of the Council's infrastructural assets, existing assets are often disposed of for minimal or nil value resulting in a loss on disposal which is reflected in the statement of comprehensive income. During the 2009/2010 financial year these losses amounted to $2.795 million (see Note 6). Other losses also includes a loss on the revaluation of derivative instruments (interest rate swaps) which are taken out to protect the Council's budgeted interest expense against fluctuations in the market.

Other Comprehensive Income

Gain on property revaluation

For the first time, under the revised NZ IAS 1 *Presentation of Financial Statements (revised 2007)*, the Council is required to disclose other comprehensive income in the newly named statement of comprehensive income. The first item is gains on property plant and equipment revaluations which show an actual amount of $20.56 million compared with a budget of $59.06 million. This large difference has come about because percentage increases budgeted in the 2009-2019 Long-term Council Community Plan were based on BERL estimates completed before the current recession hit New Zealand. The actual percentage increases in revalued assets has been considerably less.

Financial assets at fair value through other comprehensive income of $0.067 million represents the introduction of the Council's share in the joint venture entity Thames Valley Combined Civil Defence Committee which was, in previous years, included in consolidated statements. Consolidated statements are no longer required of the Council.

Statement of Changes in Equity

Equity is showing an increase of $23.94 million for the year made up of the operating surplus of $3.32 plus other comprehensive income of $20.62 million explained the previous two paragraphs.

Statement of Financial Position

Assets

Inventory

Spare parts from the decommissioning of the Whangamata wastewater treatment have been taken into inventory for future maintenance work.

Property Plant and Equipment

A number of variables all contribute to the variance in the final year end balance for property plant and equipment. Capital expenditure was reduced to well below budget, fewer assets were vested as a result of subdivision, revaluations returned less gain, all of which would provide

the expectation that the final result would be less than budget. However, the actual total value of this category at the end of June 2009, was considerably higher than originally budgeted which more than compensated for the higher than expected end of year result at June 2010.

For more detail refer to Note 15: Property, plant and equipment and Note 16: Intangible assets.

Liabilities

Total liabilities are considerably less than budget for several reasons. The main reason is that borrowing is some $14 million less than budget due to reduced capital spending. The other major factor is a reduction in creditors at balance date of $5.7 million.

The Council's liability for employee entitlements is higher than budget because of increased levels of untaken leave and also with more expenditure on employee costs the value of untaken leave also increases.

For more detail refer to Note 21: Employee entitlements.

Derivative financial instruments are higher than anticipated due to market fluctuations in the interest rate swap market.

Refer to Note 10: Derivative financial instruments.

COUNCIL CONTROLLED ORGANISATIONS

Council-controlled organisations or CCO's are organisations in which one or more councils control 50% or more of the voting rights, or have the right to appoint half or more of the directors. Council-controlled trading organisations (CCTO) are council-controlled organisations that trade to make a profit.

The Thames Valley Combined Civil Defence Committee are not disclosed as CCO's because Thames-Coromandel District Council has resolved to exempt these organisations in accordance with the Local Government Act 2002, under section 7.

Thames-Coromandel District Council has an interest in one CCO in 2009/2010, Local Authority Shared Services Ltd (LASS).

Local Authority Shared Services Limited (LASS)

The Council has a one-thirteenth ordinary shareholding (one share at $1,000) in the Local Authority Shared Services Limited Company. The remaining shares are owned by Waikato Regional Council, Environment Waikato, Hamilton City Council, Franklin, Waipa, Hauraki, Matamata-Piako, Otorohanga, Waitomo, South Waikato, Taupo and Rotorua District Council.

The Council also holds service shares in the Waikato Region Aerial Photography Service (6,476 shares at $1), the Shared Valuation Data Service (108,015 shares at $1) and the Waikato Regional Transport Model (2,250 shares at $8,750) activities of the company. These service shareholdings give no rights to a share in the distribution of surplus assets, nor do they provide voting rights.

Introduction

The Local Authority Shared Service Ltd (LASS) CCO was incorporated in December 2005.

Local Authority Shared Service Ltd (LASS) was developed as a joint initiative between the 13 Councils of the Waikato region. Its evolution can be traced from a range of projects that were implemented between local councils. These projects highlighted the benefits of a jointly owned governance structure to provide an opportunity for collaborative management and development. Central government devolution, closer working relationships between councils and a desire to benefit from cost saving opportunities offered by jointly progressing shared initiatives have fostered more efficient services.

LASS provides an effective structure that can promote such developments to the benefit of those councils that choose to be actively involved in a particular joint service. Each council owns an equal number of shares in LASS and as such has an equal say in its development.

The LASS governance structure enables the directors appointed by the shareholders to decide on the future direction of those services that will be promoted under its auspices. Any such services will be operated as a stand alone business unit with an advisory group appointed by the shareholders participating in that service to provide direction but answerable to the directors.

The shared valuation database service (SVDS) has been developed to enable the construction of a database service that is available online with updated valuation data. The short-term aim is to incorporate all property data for the whole of the Waikato region in this single database to enable competition and improvements in the VSP market.

Objectives

The objective of the company is to provide Waikato region local authorities with a vehicle to develop shared services that demonstrate a benefit to the ratepayers and provide those services to local authorities.

Performance measures

The following performance measures were incorporated into the statement of intent for the 2009/2010 financial year.

Performance Measures	Actual Outcome
1. Positive cash flow will be maintained so that the equity ratio is maintained at a minimum of 40%	Positive cash flow has been maintained, and a positive bank balance at the end of each month has allowed LASS accounts to be paid on time. No amount is held at balance date. Equity ratio at 30 June 2010 is 98%
2. The company will carry an annual survey of shareholders to assist Directors in developing improvements on behalf of the shareholders, and to receive a majority approval on the service provided.	A shareholder survey was forwarded to all 13 shareholders, with a total of 9 survey forms being completed and returned. The results showed 100% satisfaction from the respondents with the LASS structure, reporting and service operations. Several shareholders requested that the LASS Directors be more proactive in pursuing possible further shared services
3. Expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the Directors.	Total expenditure was under budget. All administration costs in the LASS were under budget, with savings being made in external audit fees.
4. The Directors will provide a written report on the business operations and financial position of the LASS as a minimum on a six monthly basis.	Six monthly reports were made.

Conclusion

The Council's own significant policies and objectives as set out in the Long-term Council Community Plan have been met during the year.