

### REPORTING ENTITY

The Waimate District Council is a territorial local authority governed by the Local Government Act 1974.

The reporting entity incorporates Forestry Joint Venture and Downlands being Joint Venture operations. Waimate Rooding Ltd has ceased.

These financial statements have been prepared in accordance with Section 283 of the Local Government Act 2002, and Section 223E of the Local Government Act 1974 in accordance with generally accepted accounting practices recognised by the Institute of Chartered Accountants of New Zealand, as appropriate and relevant for the reporting of financial information in the public sector.

### MEASUREMENT BASE

The general accounting principles recognised as appropriate for the measurement and reporting of results and financial position on an historical cost basis modified by the valuation of certain assets, have been followed.

### ACCOUNTING POLICIES

The following accounting policies which materially affect the measurement of results and financial position have been applied:

#### 1 Fixed Assets and Other Non-Current Assets

**Land and Buildings:** Freehold land was brought into account at 30 June 1991, at Government valuation as at 30 June 1989, which is deemed cost. Buildings are disclosed at the 30 June 1989 Government valuation, which is deemed cost, less accumulated depreciation. Additions are valued at cost, less accumulated depreciation.

#### Infrastructural Assets

- Rooding and Bridges have been re-valued by Opus Consultants, Registered Valuers, at 30 June 2003, on a depreciated replacement cost basis. Valuations are due on the three year cycle at 30 June 2006.
- Rural water assets were revalued at 30 June 2004 on a depreciated replacement cost basis by Opus Consultants. Land under roads is valued at current rating values. Valuations are due on the three year cycle at 30 June 2007.
- Sewerage assets were last revalued by Beca Valuations Limited, Registered Valuers, at 30 June 2004, on a depreciated replacement cost basis. Valuations are due on the three year cycle at 30 June 2007.
- Waimate Urban Water was last revalued by Opus Consultants, Registered Valuers, at 30 June 2004, on a depreciated replacement cost basis. Valuations are due on the three year cycle at 30 June 2007.
- Other infrastructural assets, including stormwater assets, are valued at deemed cost, plus additions at cost, less accumulated depreciation. The valuation was carried out internally by Council's Works and Engineering Manager, Registered Engineer, at 30 June 1992.
- Council's sanitation assets consist of a recently constructed Transfer Station. As at 30 June 2003 sanitation assets were valued at construction cost.
- The Elephant Hill drain was valued at replacement cost by the Canterbury Regional Council as at 30 June 1993, which is deemed cost, less accumulated depreciation.
- Meritec, Registered Valuers, revalued the Downlands Water Scheme at depreciated replacement cost as at 1 July 2002.
- Independent valuations are carried out 3 yearly for all assets, except plant, motor vehicles and land and buildings.

**Furniture and Equipment** is recorded at second-hand market valuation by Morton & Co, Registered Valuers, as at 30 June 2000, which is deemed cost. Subsequent purchases are valued at cost, less accumulated depreciation.

**Motor Vehicles, Plant and Machinery** were valued internally at net realisable values, by the Council's Works and Engineering Manager, as at 30 June 1991, which is deemed cost. Subsequent purchases are valued at cost, less accumulated depreciation.

**Forests** were last valued as at 30 June 2004, by Resource Management Ltd, registered Forestry Consultants, and members of the New Zealand Institute of Forestry. Valuations are based on plantation age, species, silviculture, type rotation length, expected yields at maturity and discount rate. All forests have been valued using the “Expectation Method”. This method involves calculating the projected value at maturity and discounting this at an interest rate of 9% for the number of years remaining until harvest.

Council has a policy to revalue its forests annually. Any increase or decrease in the valuation is reflected in the Statement of Financial Performance.

**Library books** were valued internally as at 30 June 1993, by the Council’s Librarian at estimated cost, which is deemed cost, less accumulated depreciation. Subsequent purchases are valued at cost, less accumulated depreciation

## 2 Depreciation

Depreciation has been provided on a straight line basis on all fixed assets, other than forestry, at rates which will write off the cost (or valuation) to their estimated residual values over their useful lives.

Roading Assets	Depreciable Life (Years)
Land	Not depreciable
Road formation – shoulders	Not depreciable
Road Pavement	
- Sealed roads	120 (50% residual value)
- Unsealed roads	35 (50% residual value)
Road surfacing	7-15 (no residual value)
Culverts	80
Kerb and channel	50
Footpaths	50-70
Bridges	80-120
<b>Water Assets</b>	
Pipe reticulation	65-130
Pumps	25
Reservoir components	20-100
<b>Wastewater Assets</b>	
Pipe reticulation	100-120
Treatment facilities	20-200
<b>Sanitation Assets</b>	
Transfer station asset	15-100

**Stormwater Assets** – are depreciated on a straight-line basis over 20 to 100 years, depending on the nature of the network asset.

The depreciation rates of the other classes of assets are:

Asset	Rate
Buildings	2% SL
Furniture & Fittings	20% DV
Office Equipment	20% DV
Plant & Machinery	10% DV
Motor Vehicles	20% DV
Library Books	10% DV
Computer Software	50% DV
Elephant Hill Drainage	5% DV

**Forestry** - no provision for depreciation is made for these assets

## 3 Accounts Receivable

Accounts receivable includes rates and water charges and is recorded at an expected realisable value after providing for doubtful and uncollectable debts.

## 4 Investments

Equity investments are valued at the lower of cost or net realisable value. All other investments are valued at cost. Any write-downs are recognised in the Statement of Financial Performance.

## 5 Inventories

Inventories are valued at the lower of net realisable value and weighted average cost.

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## 6 Revenue Recognition

Dividends are recognised as revenue when received, net of imputation credits. Rates and levies are recognised as income when assessments are issued.

Government grants are recognised as revenue to the extent of eligibility for grants established by the grantor agency. Transfund roading subsidies are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

## 7 Taxation

The income tax expense charged against the surplus for the year is the estimated liability in respect of that surplus and is calculated after allowance for permanent differences.

The Council and group uses the liability method of accounting for deferred taxation and apply this on a comprehensive basis. Future tax benefits attributable to tax losses or timing differences are only recognised when there is virtual certainty of realisation.

## 8 Goods and Services Tax

These financial statements have been prepared exclusive of Goods and Services tax, except for receivables and payables, which are GST inclusive.

## 9 Employee Entitlements

Provision is made for annual leave, long service leave and retiring gratuities. Annual leave has been calculated on an actual entitlement basis at current rates of pay while the other provisions have been calculated based on current rates of pay accrued on the number of years of service. Entitlements have not been calculated on an actuarial basis as this would not be significantly different from the method used.

## 10 Equity

Equity is the community's interest in the Council and group and is measured as the difference between total assets and total liabilities. Public equity is disaggregated and classified into a number of reserves to enable clearer identification of the specified uses that the Council and group makes of its accumulated surpluses. The components of equity are:

- Accumulated Funds
- Revaluation Reserve
- Reserve Funds & Trust Funds

## 11 Reserves

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

Restricted reserves are those reserves subject to specific conditions accepted as binding by the Council.

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

## 12 Prospective Financial Performance Statements

The Prospective Financial Performance Statements for activities as displayed in Volume 2 report the net cost of service for significant activities of the Council, and are represented by the costs of providing the service less all revenue that can be allocated to these activities.

## 13 Cost Allocation

The Council has derived the net cost of service for each significant activity of the Council using the following cost allocation policy.

Direct Costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity/usage information.

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

The costs of internal services not directly charged to activities are allocated as overheads using appropriate cost drivers such as actual usage, staff numbers and floor area.

## 14 Joint Ventures

Waimate District Council applies the proportionate method of accounting for joint ventures, in that Council only accounts for its share of the income and expenses, assets and liabilities on all Forestry Joint Ventures and Downlands Water Supply (14.81%).

## 15 Performance Measurement

Performance Measurement is executed in accordance with the systems outlined in the last section of Volume 1.

## 16 Financial Instruments

The Council is party to financial instrument arrangements as part of its everyday operations. These financial arrangements include Bank Deposits, Investments, Bonds, Accounts Receivable, Bank Overdraft Facility, Accounts Payable and Term Loans.

Revenue and Expenditure in relation to all financial instruments are recognised in the Statement of Financial Performance. All financial instruments are recognised in the Statement of Financial Position at their fair value. The Council and group has not entered into any off-balance sheet instruments.

## 17 Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts, and other highly liquid deposits in which the Council, or group invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of the group and record the cash payments made in the supply of goods and services. Agency transactions are recognised as receipts and payments in the Statement of Cash Flows given that they flow through the Council's main bank account.

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 and group.

## CHANGES IN ACCOUNTING POLICIES

There have been no other changes from the accounting policies adopted in the last financial statements. All policies, other than those noted above, have been applied on a basis consistent with the previous year.