

Prospective Schedule of Rates

Total District

	2008/09 (\$,000)	2009/10 (\$,000)	2010/11 (\$,000)	2011/12 (\$,000)	2012/13 (\$,000)	2013/14 (\$,000)	2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)	2017/18 (\$,000)	2018/19 (\$,000)
Targeted Rates	15,165	16,562	17,894	19,515	21,052	22,451	23,810	25,339	26,743	26,817	26,704
General Rates	25,673	26,823	28,321	29,653	31,259	33,213	34,776	35,494	36,366	37,956	39,452
Total Rates	40,838	43,385	46,215	49,168	52,311	55,664	58,586	60,833	63,109	64,773	66,156

Number of Properties	21,029	21,393	21,557	21,825	22,104	22,387	22,712	23,075	23,380	23,689	24,009
Growth in Property Numbers	364	164	268	279	283	325	363	305	309	320	370
Number of Properties to Be Rated	21,393	21,557	21,825	22,104	22,387	22,712	23,075	23,380	23,689	24,009	24,379

Costs to Be Recovered (GST excl)	40,838	43,385	46,215	49,168	52,311	55,664	58,586	60,833	63,109	64,773	66,156
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Average Rates per Property (\$)	1,909	2,012	2,117	2,224	2,337	2,451	2,539	2,602	2,664	2,698	2,714
Average Property % Increase	4.60%	5.40%	5.21%	5.05%	5.08%	4.88%	3.59%	2.48%	2.38%	1.27%	0.59%

Average Property \$ Increase (\$) GST excl

Average Property \$ Increase (\$) GST incl

84	103	105	106	112	114	88	63	62	34	16
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94	116	118	119	126	129	99	71	70	38	18
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Taupo/Kaingaroa - Mangakino/Pouakani

Average Rates per Property (\$)	2,002	2,106	2,209	2,311	2,421	2,538	2,622	2,679	2,740	2,769	2,780
Average Property % Increase	3.95%	5.22%	4.86%	4.66%	4.73%	4.82%	3.32%	2.17%	2.28%	1.07%	0.41%
Average Property \$ Increase (\$) GST excl	76	105	102	103	109	117	84	57	61	29	12

Average Property \$ Increase (\$) GST incl

86	118	115	116	123	131	95	64	69	33	13
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Turangi/Tongariro

Average Rates per Property (\$)	1,614	1,726	1,835	1,947	2,063	2,166	2,264	2,345	2,410	2,458	2,486
Average Property % Increase	5.80%	6.95%	6.29%	6.08%	6.00%	4.97%	4.52%	3.57%	2.79%	1.97%	1.17%
Average Property \$ Increase (\$) GST excl	89	112	109	112	117	103	98	81	65	48	29

Average Property \$ Increase (\$) GST incl

100	126	122	126	131	115	110	91	74	54	32
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Prospective Statement of Comprehensive Income

	2009/10 (\$,000)	2010/11 (\$,000)	2011/12 (\$,000)	2012/13 (\$,000)	2013/14 (\$,000)	2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)	2017/18 (\$,000)	2018/19 (\$,000)
Revenue										
Rates revenue	43,385	46,215	49,168	52,311	55,664	58,586	60,833	63,109	64,773	66,156
Profit on sale of property assets	625	2,082	2,710	9,609	10,698	8,142	2,688	1,335	683	0
Biological Assets - Forestry revaluations	719	719	719	719	719	326	326	401	326	707
Property, Plant and Equipment revaluations	53,217	37,954	16,654	61,826	32,784	20,724	75,586	34,817	27,833	73,658
Other Revenue from Significant Activities	54,704	55,212	31,694	32,468	34,215	35,798	35,739	37,365	38,483	42,112
Total comprehensive revenue	152,650	142,182	100,945	156,933	134,080	123,576	175,172	137,027	132,098	182,633
Expenditure										
Employee benefit expenses	19,224	20,025	20,570	20,767	21,376	22,000	22,689	23,570	24,395	25,368
Depreciation and Amortisation	12,575	13,191	14,074	14,880	15,503	16,113	16,794	17,650	18,296	18,820
Finance costs	9,582	11,610	13,279	14,432	15,748	15,900	15,619	14,807	15,281	15,836
Other expenses	28,117	29,399	30,736	31,180	32,157	32,820	33,894	35,183	35,602	35,885
Total operating expenditure	69,498	74,225	78,659	81,259	84,784	86,833	88,996	91,210	93,574	95,909
Operating surplus (deficit) before taxation	83,152	67,957	22,286	75,674	49,296	36,743	86,176	45,817	38,524	86,724
Less taxation expense	0	0	0	0	0	0	0	0	0	0
Net surplus (deficit) after taxation	83,152	67,957	22,286	75,674	49,296	36,743	86,176	45,817	38,524	86,724
Reconciliation of total comprehensive income to cost of service statements										
Targeted rates	16,562	17,894	19,515	21,052	22,451	23,810	25,339	26,743	26,817	26,704
General rates	26,823	28,321	29,653	31,259	33,213	34,776	35,494	36,366	37,956	39,452
Rates Revenue	43,385	46,215	49,168	52,311	55,664	58,586	60,833	63,109	64,773	66,156
Development and/or financial contributions	3,132	4,587	4,989	6,020	7,478	8,489	7,669	7,648	8,382	10,083
Property Sales	625	2,082	2,710	9,609	10,698	8,142	2,688	1,335	683	-
Vested assets	4,400	4,545	4,692	4,829	4,989	5,146	5,328	5,516	5,722	5,940
Other income	47,172	46,080	22,013	21,619	21,748	22,163	22,742	24,201	24,379	26,089
Total income plus general rates per Summary cost of service statement	98,714	103,509	83,572	94,388	100,577	102,526	99,260	101,809	103,939	108,268
Add Biological and Property, Plant and equipment revaluations from above	53,936	38,673	17,373	62,545	33,503	21,050	75,912	35,218	28,159	74,365
Total comprehensive revenue	152,650	142,182	100,945	156,933	134,080	123,576	175,172	137,027	132,098	182,633

Prospective Statement of Changes in Equity

	2009/10 (\$,000)	2010/11 (\$,000)	2011/12 (\$,000)	2012/13 (\$,000)	2013/14 (\$,000)	2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)	2017/18 (\$,000)	2018/19 (\$,000)
Equity at Beginning of Year	1,108,198	1,191,350	1,259,307	1,281,593	1,357,267	1,406,563	1,529,482	1,575,299	1,575,299	1,613,823
Net Surplus (Deficits) for the year	83,152	67,957	22,286	75,674	49,296	36,743	86,176	45,817	38,524	86,724
Total Recognised Revenues and Expenses for Year	83,152	67,957	22,286	75,674	49,296	36,743	86,176	45,817	38,524	86,724
Total Equity at End of Year	1,191,350	1,259,307	1,281,593	1,357,267	1,406,563	1,443,306	1,529,482	1,575,299	1,613,823	1,700,547
Components of Equity										
Accumulated Funds at beginning of year	842,113	870,059	897,573	903,631	896,676	903,288	911,777	932,254	946,631	955,791
Net Surplus (Deficits) for the year	27,946	27,454	6,118	(6,955)	6,612	8,489	20,477	14,377	9,160	24,661
Accumulated Funds at end of year	870,059	897,513	903,631	896,676	903,288	911,777	932,254	946,631	955,791	980,452
Council Created Reserves at beginning of year	97,600	98,870	100,701	99,496	119,580	128,761	136,997	128,293	129,771	132,419
Transfers to/(from) reserves	1,270	1,831	(1,205)	20,084	9,181	8,236	(8,704)	1,478	2,648	(12,302)
Council Created Reserves at end of year	98,870	100,701	99,496	119,580	128,761	136,997	128,293	129,771	132,419	120,117
Restricted Reserves at beginning of year	232	232	232	232	232	232	232	232	232	232
Movements for year	0	0	0	0	0	0	0	0	0	0
Restricted Reserves at end of year	232	232	232	232	232	232	232	232	232	232
Revaluation Reserves at beginning of year	168,253	222,189	260,861	278,234	340,779	374,282	394,300	468,703	498,664	525,380
Revaluation surplus/(deficit)	53,936	38,673	17,373	62,545	33,503	20,018	74,403	29,961	26,716	74,365
Revaluations Reserves at end of year	222,189	260,861	278,234	340,779	374,282	394,300	468,703	498,664	525,380	599,745
Total Equity at End of Year	1,191,350	1,259,307	1,281,593	1,357,267	1,406,563	1,443,306	1,529,482	1,575,299	1,613,823	1,700,547

Prospective Statement of Financial Position

	2009/10 (\$,000)	2010/11 (\$,000)	2011/12 (\$,000)	2012/13 (\$,000)	2013/14 (\$,000)	2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)	2017/18 (\$,000)	2018/19 (\$,000)
Equity										
Accumulated Funds	870,059	897,513	903,631	896,676	903,288	911,777	932,254	946,631	955,791	980,452
Council Created Reserves	98,870	100,701	99,496	119,580	128,761	136,997	128,293	129,771	132,419	120,117
Restricted Reserves	232	232	232	232	232	232	232	232	232	232
Revaluation Reserves	222,189	260,861	278,234	340,779	374,282	394,300	468,703	498,664	525,380	599,745
Total Equity	1,191,350	1,259,307	1,281,593	1,357,267	1,406,563	1,443,306	1,529,482	1,575,299	1,613,823	1,700,547
Current Assets										
Cash and cash equivalents	16,891	16,891	16,891	16,891	16,891	16,891	16,891	16,891	16,891	16,891
Investments	18,422	18,422	18,422	18,422	18,422	18,422	18,422	18,422	18,422	18,422
Trade and Other receivables	6,395	6,604	6,811	7,015	7,249	7,486	7,761	8,029	8,310	8,609
Inventories	480	496	511	527	544	562	582	603	624	646
Non current assets held for sale	4,514	4,031	9,984	11,778	13,924	7,590	11,221	6,024	3,128	3,128
Total Current Assets	46,702	46,444	52,619	54,633	57,030	50,951	54,877	49,969	47,375	47,696
Non-Current Assets										
Investments	44,730	44,635	40,875	51,502	50,160	51,464	41,787	47,387	51,006	38,928
Intangible Assets	924	954	984	1,014	1,048	1,081	1,121	1,161	1,200	1,244
Biological Assets	5,595	6,314	7,033	7,752	7,438	6,255	1,325	282	609	1,316
Property Plant and Equipment	1,247,868	1,342,088	1,375,846	1,453,429	1,506,244	1,550,957	1,636,964	1,686,750	1,736,650	1,822,931
Total Non-Current Assets	1,299,117	1,393,991	1,424,738	1,513,697	1,564,890	1,609,757	1,681,197	1,731,580	1,789,465	1,864,419
Total Assets	1,345,819	1,440,435	1,477,357	1,568,330	1,621,920	1,660,708	1,736,074	1,785,549	1,836,840	1,912,115

1 Council forecasts keeping its short term cash and investments at a consistent level in order to meet its ongoing funding requirements.

Prospective Statement of Financial Position

	2009/10 (\$,000)	2010/11 (\$,000)	2011/12 (\$,000)	2012/13 (\$,000)	2013/14 (\$,000)	2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)	2017/18 (\$,000)	2018/19 (\$,000)
Current Liabilities										
Trade and other payables	9,888	10,210	10,530	10,846	11,207	11,575	11,998	12,414	12,848	13,311
Employee entitlement provisions	2,282	2,357	2,430	2,503	2,587	2,671	2,769	2,865	2,965	3,072
Borrowings	8,895	12,594	13,766	29,881	28,312	30,624	18,780	15,073	29,520	25,385
Total Current Liabilities	21,065	25,161	26,726	43,230	42,106	44,870	33,547	30,352	45,333	41,768
Non-Current Liabilities										
Provisions	35	35	35	35	35	35	35	35	35	35
Borrowings	132,959	155,508	168,566	167,348	172,752	172,017	172,512	179,348	177,116	169,213
Employee entitlement provisions	410	424	437	450	464	480	498	515	533	552
Provisions	0	0	0	0	0	0	0	0	0	0
Total Non-Current Liabilities	133,404	155,967	169,038	167,833	173,251	172,532	173,045	179,898	177,684	169,800
Total Liabilities	154,469	181,128	195,764	211,063	215,357	217,402	206,592	210,250	222,017	211,568
Total Net Assets	1,191,350	1,259,307	1,281,593	1,357,267	1,406,563	1,443,306	1,529,482	1,575,299	1,613,823	1,700,547

Prospective Statement of Cashflows

	2009/10 (\$,000)	2010/11 (\$,000)	2011/12 (\$,000)	2012/13 (\$,000)	2013/14 (\$,000)	2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)	2017/18 (\$,000)	2018/19 (\$,000)	
Cash Flows from Operating Activities											
Cash was provided from:											
Rates	43,385	46,215	49,168	52,311	55,664	58,586	60,833	63,109	64,773	66,156	
Subsidies	2,229	2,338	1,635	1,704	1,818	1,846	1,954	2,055	2,134	2,244	
Interest Income	6,699	6,630	6,631	6,510	5,943	5,942	5,940	5,939	5,939	5,939	
Fees, Charges & Other Income	11,895	12,225	12,595	12,482	12,803	13,299	13,864	14,532	14,952	16,007	
	64,208	67,408	70,029	73,007	76,228	79,673	82,591	85,635	87,798	90,346	
Cash was applied to:											
Payments to Suppliers & Employees	47,339	49,014	50,899	51,546	53,070	54,354	56,044	58,225	59,445	60,664	
Taxes Paid	0	0	0	0	0	0	0	0	0	0	
Interest on Public Debt	9,582	11,610	13,279	14,432	15,748	15,900	15,619	14,807	15,281	15,836	
	56,921	60,624	64,178	65,978	68,818	70,254	71,663	73,032	74,726	76,500	
Net Cash Inflow (Outflow) from Operating Activities	7,287	6,784	5,851	7,029	7,410	9,419	10,928	12,603	13,072	13,846	
Cash Flows from Investing Activities											
Cash was provided from:											
1											
	Proceeds from Sale of Fixed Assets	1,275	3,468	3,613	16,465	19,347	18,938	7,150	9,428	3,579	0
	Development/ Financial Contributions	3,132	4,587	4,989	6,020	7,478	8,489	7,669	7,648	8,382	10,083
2	Capital Subsidies	26,348	24,679	945	719	949	840	710	1,407	1,074	1,600
	Net Decrease in Investments	0	96	3,760	0	1,342	0	9,677	0	0	12,078
		30,755	32,830	13,307	23,204	29,116	28,267	25,206	18,483	13,035	23,761

Prospective Statement of Cashflows

	2009/10 (\$,000)	2010/11 (\$,000)	2011/12 (\$,000)	2012/13 (\$,000)	2013/14 (\$,000)	2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)	2017/18 (\$,000)	2018/19 (\$,000)
Cash was applied to:										
Purchase & Development of Fixed Assets	56,294	65,862	33,388	34,388	40,360	37,960	24,784	28,614	34,703	25,569
Net Increase in Investments	646	0	0	10,627	0	1,304	0	5,601	3,619	0
Net cash inflow (outflow) from investing activities	(26,185)	(33,032)	(20,081)	(21,926)	(11,244)	(10,997)	422	(15,732)	(25,287)	(1,808)
Cash Flows from Financing Activities										
Cash was provided from:										
Loans Raised	24,174	35,143	26,824	28,663	33,715	29,890	19,274	21,909	27,288	17,482
	24,174	35,143	26,824	28,663	33,715	29,890	19,274	21,909	27,288	17,482
Cash was applied to:										
Repayment of Public Debt	5,276	8,895	12,594	13,766	29,881	28,312	30,624	18,780	15,073	29,520
	5,276	8,895	12,594	13,766	29,881	28,312	30,624	18,780	15,073	29,520
Net cash inflow (outflow) from financing activities	18,898	26,248	14,230	14,897	3,834	1,578	(11,350)	3,129	12,215	(12,038)
Net increase (decrease) in cash and cash equivalents	0	0	0	0	0	0	0	0	0	0
Add: cash and cash equivalents at start of year	16,891	16,891	16,891	16,891	16,891	16,891	16,891	16,891	16,891	16,891
Cash and cash equivalents at end of year	16,891	16,891	16,891	16,891	16,891	16,891	16,891	16,891	16,891	16,891

Notes:

1. Proceeds from Urban land sales and forestry harvests.
2. NZTA subsidy for the ETA in 2009/10 & 2010/11
3. Proceeds from Urban land sales and forestry harvests have been applied as additional loan repayments.

Prospective Statement of Borrowings

For the year ended 30 June	2009/10 (\$000)	2010/11 (\$000)	2011/12 (\$000)	2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)	2016/17 (\$000)	2017/18 (\$000)	2018/19 (\$000)
Debt Balances										
Opening Debt	122,956	141,854	168,102	182,332	197,229	201,063	202,641	191,291	194,420	206,636
New Borrowing Requirements	24,174	35,143	26,824	28,663	33,715	29,890	19,274	21,909	27,289	17,482
Debt Repayments	(5,276)	(8,895)	(12,594)	(13,766)	(29,881)	(28,312)	(30,624)	(18,780)	(15,073)	(29,520)
Closing External Debt	141,854	168,102	182,332	197,229	201,063	202,641	191,291	194,420	206,636	194,598
Debt Servicing Costs										
Interest	9,582	11,610	13,279	14,432	15,748	15,900	15,619	14,807	15,281	15,836
Debt Repayments	5,276	8,895	12,594	13,766	29,881	28,312	30,624	18,780	15,073	29,520
Extraordinary Debt Repayments	0	0	0	0	0	0	0	0	0	0
Total External Debt Servicing Costs	14,858	20,505	25,873	28,198	45,629	44,212	46,243	33,587	30,354	45,356

Borrowing Limits

In managing its borrowings, Council determines appropriate control limits based on the following covenants:

% Gross External Interest Expense / Operating Income	6.3%	8.2%	13.2%	9.2%	11.7%	12.9%	8.9%	10.8%	11.6%	8.7%
EBIT / Net Interest (- implies more interest earned than paid)	32.2	16.0	5.3	11.4	6.6	5.3	10.5	6.8	5.8	10.4
Operating Cashflows / Gross External Interest Expense	6.7	5.8	5.3	5.1	4.8	5.0	5.3	5.8	5.7	5.7
% Gross External Debt / Equity	11.9%	13.3%	14.2%	14.5%	14.3%	14.0%	12.5%	12.3%	12.8%	11.4%

Prospective Schedule of Capital Expenditure

Activity/Scheme	Project	2009/10 (\$000)	2010/11 (\$000)	2011/12 (\$000)	2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)	2016/17 (\$000)	2017/18 (\$000)	2018/19 (\$000)
Community Facilities											
Pensioner Housing	Renewals	107	43	262	69	35	17	349	196	221	70
Libraries	Taupo, Turangi and Mangakino new books and renewals	387	375	416	860	475	1,039	517	636	590	921
Public Conveniences	Building and plant renewals	183	108	143	131	98	46	114	0	88	96
Public Conveniences	Acacia Bay beach changing rooms rebuild and Acacia Bay beach/hall and 5 Mile Bay toilet upgrade	0	206	0	0	0	58	0	0	0	0
Public Conveniences	Kaimanawa Park new toilet and changing rooms	0	21	0	0	112	0	0	0	0	0
Public Conveniences	Hickling Park toilets and changing rooms	0	21	0	273	0	0	0	0	0	0
Public Conveniences	Secombe Park toilets and changing rooms	0	144	149	0	0	0	0	0	0	0
Cemeteries	New Berm, Pathway and seating, Huka lawn upgrade and renewals	10	12	11	16	11	0	2	0	6	0
Community Halls	Renewals	96	74	77	64	156	81	213	42	105	46
Total Community Facilities		783	1,004	1,058	1,413	887	1,241	1,195	874	1,010	1,133
Destination Marketing											
Visitor Centres	Building, plant and equipment renewals	18	24	132	51	40	116	36	82	134	21
Total Destination Marketing		18	24	132	51	40	116	36	82	134	21
Emergency Management											
Emergency Management	Vehicle replacement and RT equipment	19	15	17	0	50	0	0	0	0	44
Total Emergency Management		19	15	17	0	50	0	0	0	0	44
Heritage, Culture and Public Art											
Museum	Public Art	100	103	106	109	112	116	120	123	126	129
Museum	Building and equipment renewals	70	72	65	20	16	15	15	20	28	41
Total Heritage, Culture and Public Art		170	175	171	129	128	131	135	143	154	170

Prospective Schedule of Capital Expenditure

Activity/Scheme	Project	2009/10 (\$000)	2010/11 (\$000)	2011/12 (\$000)	2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)	2016/17 (\$000)	2017/18 (\$000)	2018/19 (\$000)
Leadership, Governance and Advocacy											
District support Services	Building, plant and equipment renewals	452	486	538	605	524	561	472	562	793	502
Support Services	Computer network development, office equipment and security	458	506	329	338	357	354	362	384	381	392
Total Leadership, Governance and Advocacy		910	992	867	943	881	915	834	946	1,174	894
Parks and Reserves											
Parks and Reserves TK/MP	Lakefront development	357	335	370	219	11	0	12	0	13	154
Parks and Reserves TK/MP	Tongariro Domain redevelopment	290	227	202	76	22	17	18	18	34	19
Parks and Reserves TK/MP	Nukuhau Reserve development and parking	0	41	11	120	11	0	0	0	0	0
Parks and Reserves TK/MP	Renewals and improvements	1,050	873	780	920	863	728	838	854	716	857
Parks and Reserves TK/MP	Development Contributions Growth projects	560	706	1,752	2,135	2,432	3,232	2,741	2,218	16,605	1,417
Parks and Reserves TT	Renewals and improvements	454	318	356	402	345	212	309	310	331	449
Total Parks and Reserves		2,711	2,500	3,471	3,872	3,684	4,189	3,918	3,400	17,699	2,896
Regulatory Services											
Regulatory Services	Building, plant and equipment renewals	97	33	156	240	45	127	156	43	277	155
Parking Control	Metereye Parking Meter System	400	0	0	0	0	0	0	0	0	0
Total Regulatory Services		497	33	156	240	45	127	156	43	277	155
Solid Waste											
Broadlands Road	Landfill - new stages and renewals	6	79	1,196	0	64	25	997	66	7	8
Broadlands Road	Landfill Gas Flare	0	0	0	710	0	0	0	0	0	0
Solid waste disposal	Transfer Station and equipment renewals	175	301	132	188	128	114	127	383	142	465
Total Solid Waste		181	380	1,328	898	192	139	1,124	449	149	473

Prospective Schedule of Capital Expenditure

Activity/Scheme	Project	2009/10 (\$000)	2010/11 (\$000)	2011/12 (\$000)	2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)	2016/17 (\$000)	2017/18 (\$000)	2018/19 (\$000)
Stormwater											
Stormwater	Storm water upgrades and improvements	209	47	22	22	17	18	18	19	20	20
Total Stormwater		209	47	22	22	17	18	18	19	20	20
Taupo District Investments											
Forestry	Afforestation	44	563	29	479	30	676	32	33	34	35
Mangakino	Service Delivery Centre & Library	30	206	0	0	0	0	0	0	0	0
Property Management	Council property renewals	220	198	232	273	284	260	256	294	269	240
Property Management	Waiora house extension	0	258	265	0	0	0	0	0	0	0
Urban Land Development	Taupo Urban Land developments	2,359	3,698	4,962	6,743	7,825	3,937	0	0	0	0
Total Taupo District Investments		2,653	4,923	5,488	7,495	8,139	4,873	288	327	303	275
Transportation											
Business Unit	Survey equipment and equipment renewal	5	5	80	6	39	34	6	60	37	44
Roading TK/MP Urban	CBD improvements	0	0	0	0	0	0	0	160	867	888
Roading TK/MP Urban	Footpath Replacement - Tuwharetoa Street	125	0	0	0	0	0	0	0	0	0
Roading TK/MP Urban	Lake Terrace traffic calming and realignment	0	22	89	0	560	0	0	1,806	0	0
Roading TK/MP Urban	Intersection improvements and realignment	13	98	29	11	11	11	12	494	136	519
Roading TK/MP Urban	Mangakino Street upgrade	13	124	14	131	15	138	15	144	16	152
Roading TK/MP Urban	Nukuhau/Riverside Park pedestrian bridge	274	1,131	0	0	0	0	0	0	0	0
Roading TK/MP Urban	Tongariro Street traffic calming	0	7	30	0	560	0	0	1,806	0	0
Roading TK/MP Urban	Tauhara/Spa Road intersection	575	619	0	0	0	0	0	0	0	0
Roading TK/MP Urban	State Highway 5/Lake Terrace intersection	0	0	0	0	0	0	0	0	618	0
Roading TK/MP Urban	Retaining Walls - Acacia Bay, Willy Terrace	0	46	479	0	0	0	0	0	0	0

Prospective Schedule of Capital Expenditure

Activity/Scheme	Project	2009/10 (\$000)	2010/11 (\$000)	2011/12 (\$000)	2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)	2016/17 (\$000)	2017/18 (\$000)	2018/19 (\$000)
Transportation continued...											
Roading TK/MP Urban	Spa Road four laning investigation	0	29	119	0	0	0	0	0	0	0
Roading TK/MP Urban	Shared path beside ETA/Footpaths, reseals and renewals	1,036	965	899	742	688	729	940	1,162	984	801
Roading TK/MP Rural	Seal extension/Pavement reseals and renewals	1,994	1,902	2,071	1,459	1,929	1,820	1,581	2,238	2,174	3,106
Roading TK/MP Rural	West Kinloch Arterial (WeKA)	0	0	0	0	0	0	0	0	0	253
Roading TK/MP Rural	Poihipi Road widening	0	0	32	164	168	0	0	0	37	127
Roading TK/MP Rural	East Taupo Arterial (ETA)	33,000	30,960	0	0	0	0	0	0	0	0
Roading TT Urban	Bus infrastructure	30	0	32	0	34	0	35	0	37	0
Roading TT Urban	Footpaths and renewals	158	131	96	91	106	109	108	123	127	134
Roading TT Rural	Minor safety works	5	5	6	7	7	7	7	8	9	9
Roading TT Rural	Pavement reseals and renewals	72	62	65	40	63	65	48	81	86	97
Total Transportation		37,300	36,106	4,041	2,650	4,180	2,913	2,752	8,082	5,128	6,130
Venues											
A.C. Baths	Refurbishment, building and equipment renewals	787	697	749	1,214	2,484	712	696	827	440	99
Taupo Events Centre	Building and equipment renewals	400	238	277	493	623	479	237	209	290	990
Turangi Genesis Energy Aquatic Centre	Building renewals	16	14	20	68	98	89	133	106	134	247
Owen Delany Park	Irrigation	117	158	0	0	0	0	0	0	0	0
Owen Delany Park	Indoor training and administration building	0	206	0	0	0	0	0	0	0	0
Owen Delany Park	Rugby World Cup 2011 improvements	0	77	0	0	0	0	0	0	0	0
Owen Delany Park	Redevelopment and improvements	205	52	440	721	416	0	0	0	0	0
Owen Delany Park	Building and plant renewals	277	197	116	264	262	164	142	112	247	227
Hickling Park	Redevelopment	12	21	0	0	0	0	0	0	0	0
Crown Park	Irrigation	0	21	53	0	0	0	0	0	0	0
Crown Park	Security fence	40	0	0	0	0	0	0	0	0	0

Prospective Schedule of Capital Expenditure

Activity/Scheme	Project	2009/10 (\$000)	2010/11 (\$000)	2011/12 (\$000)	2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)	2016/17 (\$000)	2017/18 (\$000)	2018/19 (\$000)
Venues continued...											
Sports grounds TK/MP	Bore renewal and vehicle replacement	20	0	0	0	67	0	54	0	0	77
Sports grounds TT	Renewals and reseals	20	21	21	49	22	41	24	25	25	26
Gymnasium TT	Building renewals	24	15	23	22	27	30	47	49	50	24
Great Lake Centre	Building renewals, additions and vehicle replacement	250	84	422	213	122	161	174	28	260	217
Mangakino Sports Hall & Pool	Building and equipment renewals	27	26	27	80	29	46	32	31	26	46
Total Venues		2,195	1,827	2,148	3,124	4,150	1,722	1,539	1,387	1,472	1,953
Wastewater											
Taupo	Wastewater treatment plant upgrade	2,089	3,459	3,035	412	3,266	6,879	0	0	0	413
Taupo	Main trunk sewer extension	1,854	0	0	0	0	0	0	0	0	5,148
Taupo	Eastern trunk sewer extension	0	0	0	1,513	1,757	2,076	3,644	0	0	0
Taupo	State Highway 1 sewer extension	0	798	0	0	0	0	0	0	0	0
Wakeman Road	Sewer extension	0	0	0	0	0	0	0	2,398	0	0
Acacia Bay	Rising main to Taupo WWTP and sewer extension	0	1,834	1,262	0	0	0	0	1,047	878	0
Biosolids	Processing and disposal	260	1,537	0	0	0	0	0	0	0	0
Control Gates Bridge	Siphon upgrade	199	0	0	0	0	0	0	0	0	0
Kohatu Parade	Sewer upgrade	306	0	0	0	0	0	0	0	0	0
Omori/Kurutau/Pukawa	Treatment and disposal system	314	1,272	0	0	0	0	0	0	0	0
Whareroa	Treatment plant upgrade	0	238	0	0	0	0	0	0	0	0
District	Vehicle replacements	30	0	48	0	0	35	39	114	39	0
District	Renewals all schemes	738	743	1,029	1,159	1,809	682	651	1,000	1,236	762
Total Wastewater		5,790	9,881	5,374	3,084	6,832	9,672	4,334	4,559	2,153	6,323

Prospective Schedule of Capital Expenditure

Activity/Scheme	Project	2009/10 (\$000)	2010/11 (\$000)	2011/12 (\$000)	2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)	2016/17 (\$000)	2017/18 (\$000)	2018/19 (\$000)
Water Supply											
All schemes	Renewals	450	724	540	502	1,207	721	183	734	1,007	589
Water Supply	Vehicle replacements	80	31	48	0	34	94	92	57	59	41
Kinloch	Treatment upgrade	0	0	0	0	570	0	0	0	0	0
Mangakino	Treatment and reticulation upgrade	0	0	0	0	399	647	2,076	0	0	0
Taupo	Water treatment upgrade	2,328	7,154	8,481	9,595	7,392	3,381	0	551	141	412
Waihaha	Treatment, storage and reticulation upgrade	0	0	0	0	0	0	0	0	0	136
River Road	Treatment, storage and reticulation upgrade	0	0	0	0	0	0	0	0	0	305
Whakamaru	Reticulation upgrade	0	0	0	0	0	0	0	0	131	312
Whareroa	Land Acquisition and consents	0	0	0	0	0	0	122	0	0	0
Kinloch	Treatment, storage and reticulation upgrade	0	0	0	0	0	2,293	3,419	0	0	0
Tirohanga	Treatment, storage and reticulation upgrade	0	0	0	0	0	0	366	663	2,289	0
Atiamuri	Treatment, storage and reticulation upgrade	0	0	0	0	0	0	122	0	131	305
Turangi	Treatment, storage and reticulation upgrade	0	0	0	440	1,481	3,881	244	0	0	0
Motuopa	Treatment, storage and reticulation upgrade	0	0	0	0	0	400	672	2,210	0	0
Omori	Treatment, storage and reticulation upgrade	0	0	0	0	0	435	1,099	3,600	0	0
Whareroa	Treatment, storage and reticulation upgrade	0	0	0	0	0	0	0	303	654	1,831
Hatepe	Treatment, storage and reticulation upgrade	0	0	0	0	0	0	0	126	556	1,085
Total Water Supply		2,858	7,909	9,069	10,537	11,083	11,852	8,395	8,244	4,968	5,016
Total Capital Expenditure		56,294	65,816	33,342	34,458	40,308	37,908	24,724	28,555	34,641	25,503

Accounting Policies

1. REPORTING ENTITY

Taupo District Council (TDC) is a Local Authority under Schedule 2, Part 2 of the Local Government Act 2002. The Council has not presented group prospective financial statements because the Council believes that the parent prospective financial statements are more relevant to the users. The main purpose of prospective financial statements in the Long-term Council Community Plan is to provide users with information about core services that the Council intends to provide ratepayers, the expected cost of those services and, as a consequence, how much Taupo District Council requires by way of rates to fund the intended levels of service. The level of rates funding required is not affected by subsidiaries, except to the extent that Taupo District Council obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements presented.

The primary objective of Taupo District Council is to provide goods and services to the community for social benefit, rather than for making a financial return. Accordingly the Council has designated itself and the group as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements of Taupo District Council have been prepared in accordance with the Local Government Act 2002 which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). The statements comply with FRS 42 Prospective Financial Statements, NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities. The financial statements use opening balances from the period ending 30/06/2009, estimates have been restated accordingly if required.

The financial statements are prepared using the historical cost basis, except for assets and

liabilities, which are recorded at fair value. These are detailed in the specific policies below.

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

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

3. ACCOUNTING POLICIES

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

3.1 Foreign Currency Transactions

The functional and presentation currency is New Zealand dollars. Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction.

Foreign currency monetary assets and liabilities at the balance date are translated to NZ dollars at the rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

3.2 Derivative Financial Instruments

Taupo District Council uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from operational, financing and investment activities. In accordance with its treasury policy, Taupo District 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 measured at fair value at each balance date. Gains or losses in fair value and those resulting from re-measuring are recognised in the Statement of Financial Performance.

3.3 GST

The financial statements have been prepared exclusive of GST with the exception of receivables

and payables that have been shown inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

3.4 Revenue

Rates revenue is recognised when invoiced.

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

Government grants, including non-monetary grants at fair value, shall not be recognised by Taupo District Council until there is reasonable assurance that:

- (a) the entity will comply with the conditions accounting to them; and
- (b) the grants will be received.

Government grants, other than grants related to assets, shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Land Transport New Zealand roading subsidies are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

Other grants and bequests, and assets vested in the Council – with or without conditions – are recognised as revenue when control over the assets is obtained. Grants and bequests are recognised at their fair value where there is a reasonable assurance that the grant or bequest will be received and that Council as the recipient will comply with all attached conditions.

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from any services rendered (except as described above) is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

Rental income from investment property is

recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

Development contributions and financial contributions are recognised as revenue when Council invoices the customer.

Dividend income shall be recognised when the shareholder's right to receive payment is established.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

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 Taupo District Council are recognised as revenue when control over the asset is obtained.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

3.5 Expenses

Leases

Leases in which substantially all of the risks and rewards of ownership transfer to the lessee are classified as finance leases. At inception, finance leases are recognized as assets and liabilities on the balance sheet at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognized as an asset. Subsequently, assets leased under a finance lease are depreciated as if the assets are owned.

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term, so as to produce a constant periodic rate of interest

on the remaining balance of the liability.

Financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange losses, and losses on hedging instruments that are recognised in the income statement .

The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

3.6 Equity

Equity is the community's interest in the Council as measured by the value of total assets less total liabilities. Public Equity is disaggregated and classified into a number of reserves to enable clearer identification of the specified uses Council makes of its accumulated surpluses. The public equity of Council is made up of the following components:

Accumulated Funds
Council Created Reserves
Restricted Reserves
Revaluation Reserves

3.7 Reserves

Reserves are a component of Public Equity and represent a particular use to which parts of equity have been assigned. Reserves may be legally restricted or created 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.

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

Asset Revaluation Reserves arise from certain asset classes being revalued, with these classes including land, buildings, infrastructural assets, restricted assets and investments. The treatment of revaluation movements is detailed in item 3.14.1 of the policies.

3.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short-term highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of Taupo District Council and group's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows, and in current liabilities on the balance sheet.

3.9 Financial Assets

Taupo District Council classifies its investments in the following categories:

(a) Financial assets or financial liabilities at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. After initial recognition they are measured at their fair values. Gains or losses on remeasurement are recognised in the income statement.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the income statement.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, that management has the positive intention and ability to hold to maturity. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired

or derecognised are recognised in the income statement.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category, or not classified in any of the other categories.

Investments in debt and equity securities

Financial instruments held for trading are classified as financial assets at fair value through profit and loss and are stated at fair value, with any resultant gain or loss recognised in the income statement. Council's managed equity investments fall into this category. Fair value is determined as current market value based on the 30 June closing sale price recorded in the relevant stock exchange. The value of the foreign-listed managed equities is converted to New Zealand dollars at the 30 June closing rate of exchange.

3.10 Trade and Other Receivables

Trade and other receivables are initially measured at fair value and subsequently valued at their amortised cost using the effective interest method, less impairment losses (see accounting policy 3.17).

A provision for impairment of receivables is established when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of the estimated recovery of the debt.

3.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis, are measured at the lower of cost, adjusted when applicable, for any loss of service potential.

The cost of inventories is based on the first-in, first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.12 Non-current assets (or disposal groups) held for sale

Non current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non current asset (or disposal group) is recognised at the date of de-recognition.

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. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non current assets classified as held for sale and the assets of a disposal group classified as held for sale, are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

3.13 Property, plant and equipment

Property, plant and equipment consist of:

Operational assets – These include land, buildings, improvements, library books, plant and equipment, heritage assets and works of art, and motor vehicles.

Restricted assets – Restricted assets are parks and reserves owned by the Council, which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets – Infrastructure assets are the fixed utility systems owned by the Council. Each asset type includes all items that are required for the network to function, for example, wastewater reticulation includes reticulation piping and pump stations.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

3.14.1 Valuation Methodologies

Those asset classes that are revalued are revalued on a three yearly valuation cycle. All other asset classes are carried at depreciated historical cost. The carrying values of all assets not revalued in any year are reviewed at each balance date to ensure that those values are not materially different to fair value.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Valuations are performed with sufficient regularity to ensure revalued assets are carried at a value that is not materially different from fair value.

Increases in the carrying amounts arising on revaluation of an asset class are credited to revaluation reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the income statement, the increase is first recognised in the income statement. Decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the income statement.

3.14.2 Additions

Additions between valuations are shown at cost, except vested assets. Certain infrastructural assets and land have been vested in Council as part of the sub-divisional consent process. The vested land reserve has been initially recognised at the most recent appropriately certified Government valuation. Vested infrastructural assets are valued based on the actual quantities of infrastructure components vested, and the current "in the ground" cost of providing identical services.

3.14.3 Depreciation

Land is not depreciated. Depreciation on other assets is calculated using either the straight line or the diminishing value method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

The useful lives and associated depreciation rates

of assets to be depreciated have been estimated as follows:

Operational assets:

Land	Nil	Nil
Buildings	40-75yrs	1.3%-2.5%SL
Site Value	13 yrs	7.69% SL
Structure	20-80 yrs	1.3% -5% SL
Roof	20-40 yrs	2.5%-5% SL
Services	20-45 yrs	2.5%-5% SL
Internal fit out	15-35 yrs	2.9%-6.7% SL
Plant	20-30 yrs	3.3% - 5% SL
Machinery	4-10 yrs	10-25%DV
Computer Equipment	4 yrs	25%SL
Office Equipment	5-10 yrs	10-20%DV
Furniture & Fittings	5 -10 yrs	10%-20%DV
Park Furniture	25-2 yrs	4%- 50% SL
Vehicles	3 -10yrs	10-20%DV
Library Books	6.5 yrs	15.5%SL

Infrastructural assets:

Roads		
top surface	3 -20 yrs	5%-33%SL
pavement	45 - 60 yrs	1.7%-2%SL
formation	not	depreciated
culverts	55-80 yrs	1.3%-1.8%SL
footpaths	50 - 80 yrs	1.3%-2%SL
kerbs	60 yrs	1.7%SL
signs	15 yrs	6.7%SL
street lights	25 - 60 yrs	1.7%-4%SL
Bridges	90-100 yrs	1%-1.1%SL
land under roads	not	depreciated
Water Reticulation		
pipes	45 - 80 yrs	1.25%-2.2%SL
valves, hydrants	40 yrs	2.5%SL
pump stations	10 - 60 yrs	1.7%-10%SL
tanks	25 - 80 yrs	1.3%-4%SL
Sewerage		
Reticulation		
pipes	15 - 80 yrs	1.3%-6.7%SL
manholes	80 yrs	1.3%SL
Treatment Plant	10 - 80 yrs	1.3%-10%SL
Stormwater Systems		
pipes	80 - 100 yrs	1%-1.3%SL
manholes,		
cesspits	80 - 100 yrs	1%-1.3%SL

Flood Control Systems	15 - 18 yrs	5.6%-6.7%SL
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Restricted Assets:

Land	Nil	Nil
Other	0-40 yrs	0-2.5%SL

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Assets under construction
Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated. The current carrying amount of items under construction is separately disclosed.

3.14.4 Disposal

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in other reserves in respect of those assets are transferred to retained earnings.

3.15 Intangible Assets

Software
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These are valued at cost, and are amortised over the expected useful life of the license.

The useful lives and associated amortisation rates of assets to be amortised have been estimated as follows:

Software	4 years	25%
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Costs associated with maintaining computer software are recognised as an expense when incurred.

3.16 Biological assets and agricultural produce

A biological asset is a living animal or plant. Biological assets that are the subject of agricultural activity (i.e., the management of the biological transformation of biological assets for

sale, into agricultural produce, or into additional biological assets) are stated at fair value less estimated point-of-sale costs, determined on the basis of an annual revaluation, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

All other biological assets are measured at the lower of cost and net realisable value.

Agricultural produce is the harvested product of the entity's biological assets. Agricultural produce is measured at fair value less estimated point-of-sale costs at the point of harvest.

Forest assets
Forest assets are predominantly standing trees which are managed on a sustainable yield basis. These are shown in the balance sheet at fair value less estimated point of sale costs at harvest. The costs to establish and maintain the forest assets are included in the income statement, together with the change in fair value for each accounting period.

The valuation of Taupo District Councils forests is based on discounted cash flow models where the fair value is calculated using cash flows from continued operations; that are, based on sustainable forest management plans taking into account growth potential. The yearly harvest from tree forecast tree growth is multiplied by expected wood prices and the costs associated with forest management, harvesting and distribution are then deducted to derive annual cash flows.

The fair value of the forest assets is measured as the present value of cash flows from one growth cycle based on the productive forest land, taking into consideration environmental, operational and market restrictions. Forest assets are valued separately from the underlying freehold land.

3.17 Impairment

The carrying amounts of Taupo District Councils assets, other than investment property (see Investments policy), inventories (see Inventories policy) and deferred tax assets (see Income Tax policy), are reviewed at each balance sheet date to determine whether there is any indication of impairment.

An impairment loss is recognised for the amount

by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential. The value in use for cash-generating assets is the present value of expected future cash flows.

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

For assets not carried at a revalued amount, the total impairment loss is recognised in the income statement.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the income statement, a reversal of the impairment loss is also recognised in the income statement.

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

3.18 Financial Liabilities

Financial liabilities (creditors, loans, bonds and deposits) are initially recognised at fair value. These are subsequently recognised at amortised cost.

3.19 Employee Entitlements

Provision is made in respect of Taupo District Council's liability for annual leave, sick leave, long service leave, and gratuities.

The retiring gratuity liability is assessed on an actuarial basis using current rates of pay taking into account years of service, years to entitlement

and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value.

Long-service leave for which there is already actual entitlement is accrued at actual entitlement using current rates of pay. In addition, there is an actuarial assessment of value for which entitlement has not yet been reached. This assessment uses current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value.

Liabilities for annual leave are accrued on an actual entitlement basis, using current rates of pay.

Liabilities for accumulating short-term compensated absences (for example, sick leave) are measured as the amount of unused entitlement accumulated at balance date that the Council anticipates employees will use in future periods in excess of the days that they will be entitled to in each of those periods.

3.20 Provisions

A provision is recognised in the balance sheet when the Council has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Landfill post-closure costs

The Council, as operator of the District landfill, has a legal obligation under the resource consent to provide ongoing maintenance and monitoring services at the landfill site after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post-closure.

Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the Council.

3.21 Interest-bearing Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

3.22 Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.23 Cost Allocation

Taupo District Council has derived the net cost of service for each significant activity of the Council using the following cost allocation system:

Direct costs (costs directly attributable to a significant activity) are charged directly to significant activities.

Indirect costs (those costs which cannot be identified in an economically feasible manner, with a specific significant activity) are charged

to significant activities based on cost drivers and related activity/usage information.

3.24 Third Party Transfer Payment Agencies

Taupo District Council collects monies for many organisations. Where collections are processed through Taupo District Council's books, any monies held are shown as trade payables in the Balance Sheet. Amounts collected on behalf of third parties are not recognised as revenue, but commissions earned from acting as agent are recognised in revenue.

3.25 Critical Accounting Estimates and Assumptions

In preparing these financial statements, Council has made estimates and assumptions concerning the future, refer to the schedule of forecasting assumptions on pages 267 to 277. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements 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

There are a number of assumptions and estimates used when performing the depreciated replacement cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example, the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the

asset, then Council could be over or under estimating the annual depreciation charge recognised as an expense in the statement of financial performance. To minimise this risk, Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of Council's asset management planning activities, which provides Council with further assurance over its useful life estimates.

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

Classification of Property

Council owns a number of properties, which are maintained primarily to provide housing to pensioners. Receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of the Council's social housing policy. These properties are accounted for as property, plant and equipment.

3.26 Prospective Financial Information

The financial information contained within this document is prospective financial information in terms of accounting standard FRS42. The purpose for which it has been prepared is to enable ratepayers, residents and any other interested parties to obtain information about the expected future financial performance, position and cashflow of Taupo District Council.

The actual results achieved for any particular financial year are also likely to vary from the information presented and may vary materially depending on the circumstances that arise during the period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Changes in Accounting Policy

Hedge Accounting – Council will no longer apply

hedge accounting on its derivatives, any gains or losses in fair value and those resulting from re-measuring are recognised in the Statement of Financial Performance. The reason for the change is to better enable Council to take advantage of economic opportunities that may exist from time to time in the marketplace. The effect on the financial statements is a reduction in the opening balance for revaluation reserves of \$237,000 and an increase in the opening balance for accumulated funds of \$237,000. The current portion of derivative financial instruments opening balance of \$131,000 has been combined with the current portion of other financial assets, and the non-current portion of derivative financial instruments opening balance of \$222,000 has been combined with the non-current portion of other financial assets.

Financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange losses, and losses on hedging instruments that are recognised in the income statement.

The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

