

10.0 THE FINANCIALS IN DETAIL

HE RIPOATA PUTEA MAI TE TARI TATARI KAUTE

A young girl with brown hair in a ponytail, wearing a light blue floral dress, is looking up and touching the trunk of a large tree. The tree trunk is covered in moss and lichen. The background is a blurred green field with trees.

adding
it up

■ 10.0 THE FINANCIALS IN DETAIL

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■ 10.1 FINANCIAL OVERVIEW

RATES LEVIED

The following rate table shows the total rates and rate increase for the 10 years of the 2009-19 LTCCP. For the 2009/10 financial year, the Council has budgeted income from rates of \$103.1m (2008/09 \$98.2m). Rates income will increase by 4.99% for the 2009/10 financial year, which includes the Access Hamilton targeted rate. Taking account of growth in the city's rating base, this represents an average increase of 4.38% to existing Hamilton ratepayers.

	LTCCP 2009/10	LTCCP 2010/11	LTCCP 2011/12	LTCCP 2012/13	LTCCP 2013/14	LTCCP 2014/15	LTCCP 2015/16	LTCCP 2016/17	LTCCP 2017/18	LTCCP 2018/19
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Total rates levy in \$m*	103	109	116	124	132	141	150	158	164	171
Rates levy (total increase)	4.99%	5.57%	6.53%	7.07%	6.53%	6.82%	6.38%	5.14%	4.12%	4.08%
less rating growth (new ratepayers) in \$m	(0.4)	(0.9)	(1.0)	(1.6)	(1.7)	(1.7)	(1.8)	(2.0)	(2.1)	(2.3)
Rates levy increase to existing ratepayers	4.38%	4.66%	5.52%	5.69%	5.19%	5.51%	5.10%	3.81%	2.79%	2.70%
Inflation adjustment	5.10%	1.50%	2.88%	2.65%	2.63%	2.65%	2.67%	2.83%	2.82%	2.72%
Rate increase to existing ratepayers above inflation adjustment	-0.72%	3.16%	2.64%	3.04%	2.56%	2.86%	2.43%	0.98%	-0.03%	-0.02%

* Excludes consumption based rates

RATES BY PROPERTY SECTOR

The indicative rates levy for 2009/10 on the average value of each property sector is:

	LTCCP 2009/10
	YEAR 1
residential	\$1,554
inner city	\$971
commercial	\$9,319
multi-unit	\$4,125
rural residential	\$3,626
rural large	\$4,787
rural small	\$1,944

RATES AFFORDABILITY

For 2009/10, Hamilton City Council's average residential rates as a percentage of the Waikato region median family household income is 2.4%.

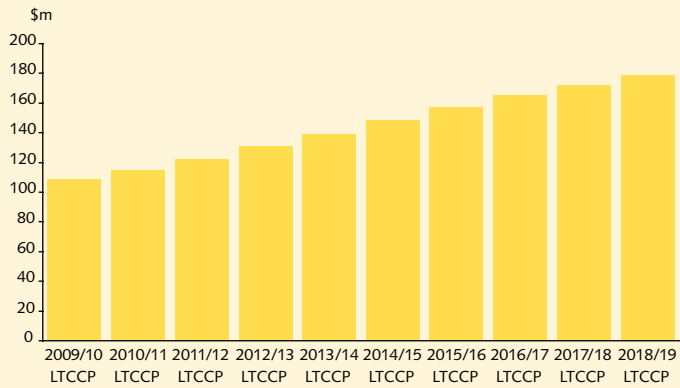
	LTCCP 2009/10
	YEAR 1
average residential rate	\$1,554
median family household income ¹	\$65,768
average residential rates as % of income	2.4%

1 Berl Economics - Projections of National and Regional Household Income to 2019, Nov 2008.

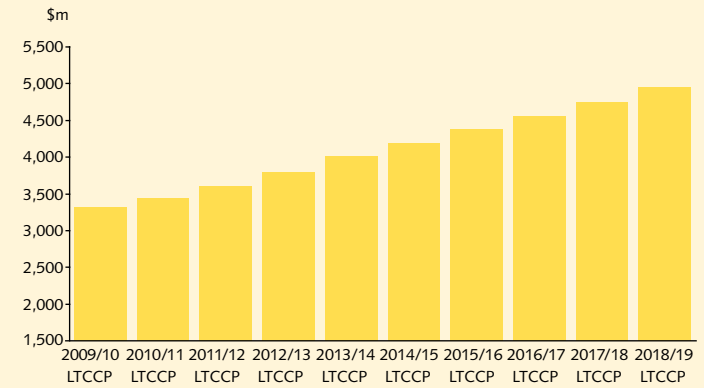
FINANCIAL SUMMARY

A graphical presentation of key financial statistics for the 10 years of the LTCCP is shown as follows.

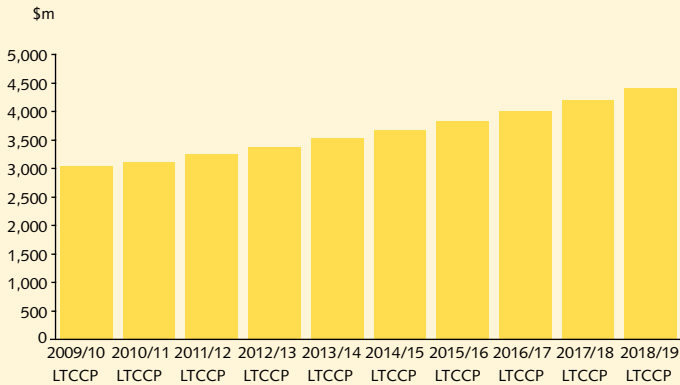
RATES



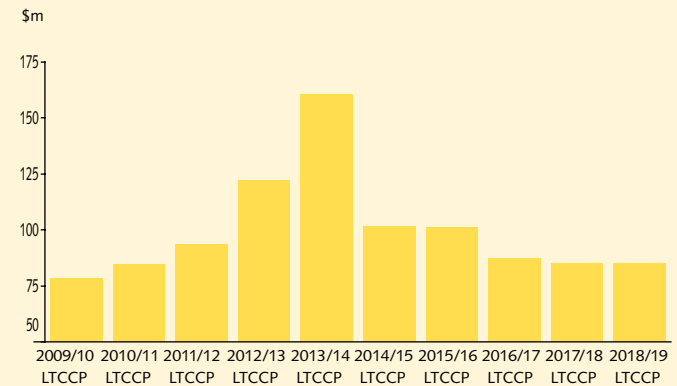
TOTAL FIXED ASSETS



EQUITY



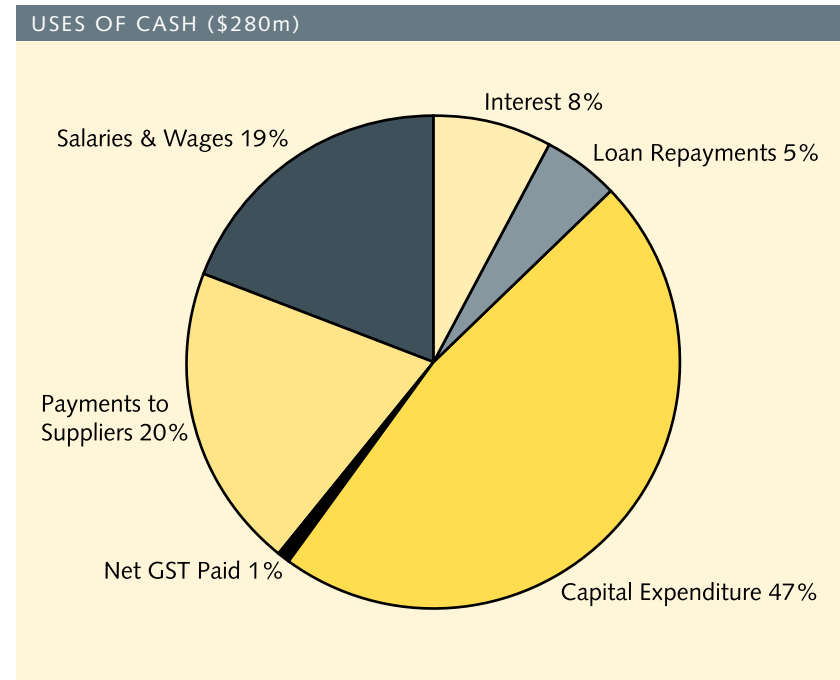
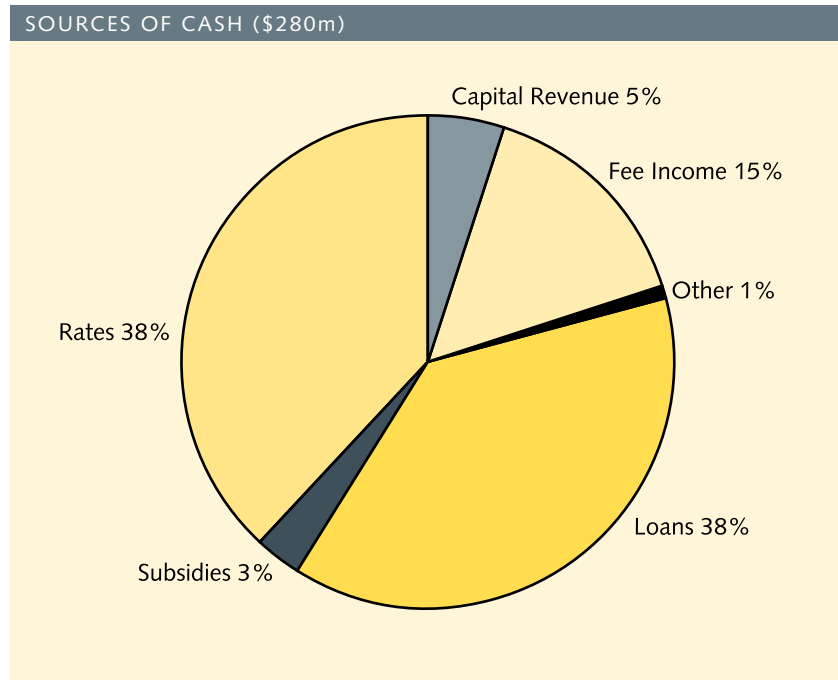
CAPITAL EXPENDITURE



	LTCCP 2009/10	LTCCP 2010/11	LTCCP 2011/12	LTCCP 2012/13	LTCCP 2013/14	LTCCP 2014/15	LTCCP 2015/16	LTCCP 2016/17	LTCCP 2017/18	LTCCP 2018/19
\$m	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Rates (incl penalties less remissions and rates charged to Council properties)	109	115	122	131	139	148	157	165	172	179
Total fixed assets	3,325	3,441	3,604	3,790	4,011	4,189	4,376	4,562	4,752	4,948
Equity	3,050	3,115	3,243	3,381	3,530	3,675	3,835	4,012	4,200	4,399
Capital expenditure	78	85	93	122	161	102	101	87	85	85

CASH FLOW

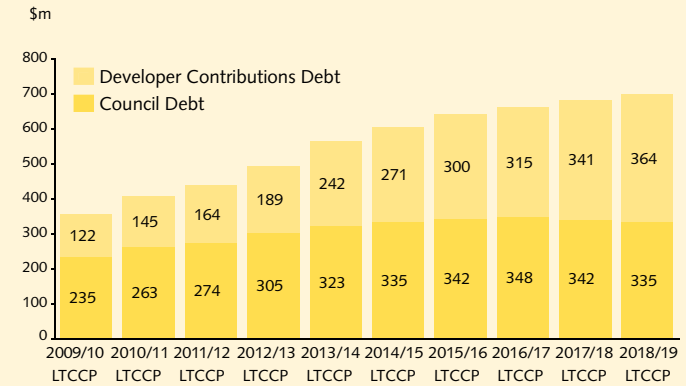
The estimated sources and uses of cash for the year ended 30 June 2010 is summarised as follows:



CITY DEBT

The graph below shows the total debt levels for the 10 years of the LTCCP, split between Council debt funded by rates and debt to be funded by development contributions. The overall level of total debt including internal borrowing will total \$357m for the 2009/10 financial year. In year 10 of the LTCCP, the total debt including internal borrowing is estimated to be \$699m. Debt funded by development contributions at the end of the 2009/10 financial year is estimated to be \$122m. In year 10 of the LTCCP, the debt funded by development contributions is estimated to be \$364m.

TOTAL DEBT, 2009-19



DEBT BALANCES (INCLUDING INTERNAL BORROWING)

	LTCCP 2009/10	LTCCP 2010/11	LTCCP 2011/12	LTCCP 2012/13	LTCCP 2013/14	LTCCP 2014/15	LTCCP 2015/16	LTCCP 2016/17	LTCCP 2017/18	LTCCP 2018/19
\$m	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Funded by Access Hamilton	29	32	43	58	71	73	70	67	64	61
Funded by Rates	206	231	231	247	252	263	272	281	278	273
Closing Balance - Council Debt	235	263	274	305	323	335	342	348	342	335
Funded by Development Contributions	122	145	164	189	242	271	300	315	341	364
CLOSING BALANCE TOTAL DEBT (including internal borrowing)	357	408	438	494	565	606	642	663	683	699

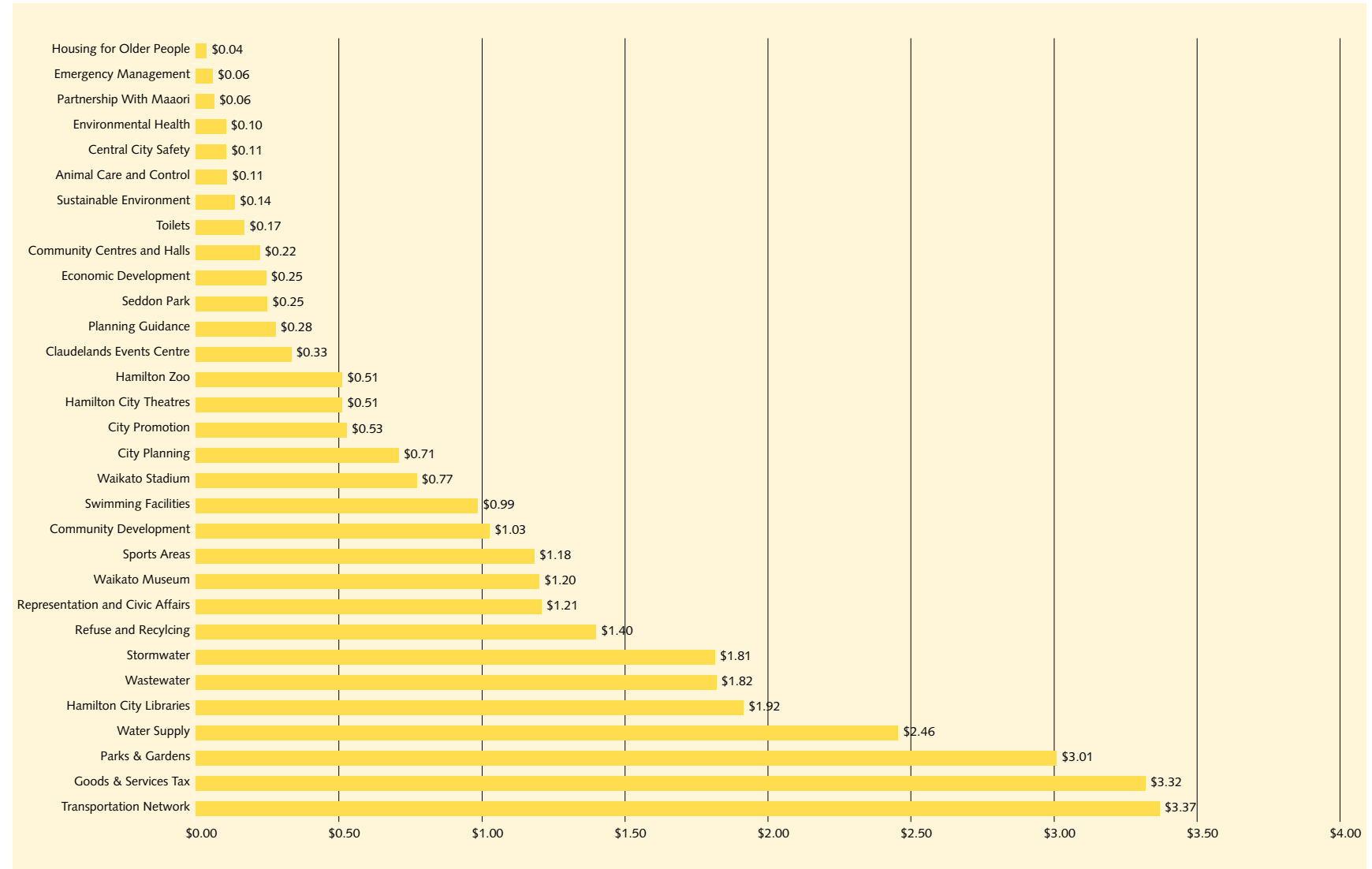
DEBT SERVICING PERFORMANCE LIMITS

	LTCCP 2009/10	LTCCP 2010/11	LTCCP 2011/12	LTCCP 2012/13	LTCCP 2013/14	LTCCP 2014/15	LTCCP 2015/16	LTCCP 2016/17	LTCCP 2017/18	LTCCP 2018/19
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Policy Limits – Council debt										
1. Interest on total Council debt (excluding interest on DC debt) as % of total rating income (Max 20%)	11%	13%	14%	15%	16%	15%	15%	15%	14%	13%
2. Total Council debt as % of total income (Max 180%) (excluding total DC contributions received p.a. in income)	145%	148%	141%	143%	142%	151%	145%	142%	137%	129%
3. Total Council debt per capita (Max \$2,000) (expressed in 2009 \$)	\$1,591	\$1,729	\$1,722	\$1,834	\$1,862	\$1,854	\$1,814	\$1,766	\$1,659	\$1,557
Policy Limits – Total debt										
1. Total debt as % of total assets (Max 25%)	10%	12%	12%	13%	14%	14%	14%	14%	14%	14%
2. Total debt as % of total income (Max 250%)	208%	213%	202%	208%	223%	243%	244%	242%	243%	239%
3. Interest (total) as % of total income (Max 20%) (including total DC contributions received p.a. in income)	11%	12%	13%	13%	15%	16%	17%	17%	17%	17%
4. Liquidity (on total debt & working capital) (Min 110%)	117%									

Council has clearly signalled elsewhere in this document its preparedness to defer growth related capital expenditure in the event that growth related debt is forecast to reach an unsustainable level.

INDICATIVE RESIDENTIAL RATES

For 2009/10, the rates levy on the average value Hamilton home will be \$1,554, that is, about \$30 per week. The indicative rates levy per week is presented graphically below for each service of Council.



10.2 COUNCIL CONTROLLED ORGANISATIONS (CCO)

In order to achieve its objectives for Hamilton City Council, the Council is involved and represented in a number of organisations. Council Controlled Organisations are described in the Local Government Act 2002 (LGA 2002) as any organisation in which one or more local authorities control 50% or more of the voting rights or appoints 50% or more of the directors.

The following tables explain what the organisations do and how performance is measured.

ORGANISATION	HAMILTON PROPERTIES LTD
Ownership	100%
Representation (total members)	2 (4)
Purpose	The Council has retained this company with the view of utilising its tax losses in the future.
Nature and scope of activities	This is a non-operating company that is no longer trading.
Performance Monitoring	Exempt as a CCO for performance monitoring under Section 7 (3-5) Local Government Act 2002 by Council resolution on 2 July 2003.

ORGANISATION	WAIKATO REGIONAL AIRPORT LTD																			
Ownership	50%																			
Representation (total members)	0 (5)																			
Purpose	Waikato Regional Airport Ltd replaced the Airport Authority in 1989, which previously ran Hamilton Airport (and in which Council had a shareholding)																			
Nature and scope of activities	The objective of the airport company is to operate a successful commercial business, providing safe, appropriate and efficient services for the transportation of people and freight in and out of the port of Hamilton.																			
Performance Monitoring	<ul style="list-style-type: none"> • Statement of Corporate Intent, Interim Report and Annual Report is presented to the Finance and Audit Committee. • Performance targets are specified annually in the Statement of Corporate Intent and are noted as follows. <p>Non Financial Performance Targets</p> <ul style="list-style-type: none"> • To achieve the Airport Certification Standards as required by the Civil Aviation Authority. • To achieve above average customer satisfaction ratings through the conduction of a bi-annual ACI International benchmarking survey. • Collect, document and act (where viable) on customer feedback forms to continuously monitor and improve the customer experience. Maintain a database to ensure recurring negative feedback is promptly acted upon. • Introduce a new international and/or domestic carrier to promote competition and thus competitive pricing options for travellers. • Continuation of the Joint venture land development project and thus continuing the path to enhancing regional economic value measured by land sales of Titanium Park. <p>Financial Performance Targets</p> <ul style="list-style-type: none"> • To achieve financial performance targets as noted in the table below: <table border="1"> <thead> <tr> <th></th> <th>Statement of Corporate Intent Targets (for 2009/10)</th> </tr> </thead> <tbody> <tr> <td>Net surplus/(deficit) before tax/interest to average shareholders' funds</td> <td>(0.45)%</td> </tr> <tr> <td>Net surplus/(deficit) after tax to average shareholders' funds</td> <td>(1.24)%</td> </tr> <tr> <td>Net surplus/(deficit) before tax/interest to total assets</td> <td>(0.30)%</td> </tr> <tr> <td>Net surplus/(deficit) after tax to total assets</td> <td>(0.83)%</td> </tr> <tr> <td>Percentage of non-landing charges revenue to total revenue</td> <td>73.11%</td> </tr> <tr> <td>Earning before interest, taxation and depreciation (EBITDA)</td> <td>\$1,200,000</td> </tr> <tr> <td>Interest rate cover</td> <td>2.49</td> </tr> <tr> <td>Total liabilities to shareholders' fund (Debt/Equity ratio)</td> <td>20:80</td> </tr> </tbody> </table>			Statement of Corporate Intent Targets (for 2009/10)	Net surplus/(deficit) before tax/interest to average shareholders' funds	(0.45)%	Net surplus/(deficit) after tax to average shareholders' funds	(1.24)%	Net surplus/(deficit) before tax/interest to total assets	(0.30)%	Net surplus/(deficit) after tax to total assets	(0.83)%	Percentage of non-landing charges revenue to total revenue	73.11%	Earning before interest, taxation and depreciation (EBITDA)	\$1,200,000	Interest rate cover	2.49	Total liabilities to shareholders' fund (Debt/Equity ratio)	20:80
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Interest rate cover	2.49																			
Total liabilities to shareholders' fund (Debt/Equity ratio)	20:80																			

ORGANISATION	LOCAL AUTHORITY SHARED SERVICES LTD (LASS)
Ownership	7.69%
Representation (total members)	1 (9)
Purpose	To provide local authorities within the Waikato Region with shared services, particularly in respect of information, collection and management for those authorities that may from time to time participate in those services with the purpose of reducing the cost of performing those activities to the community at large.
Nature and scope of activities	The company to be used as an umbrella company to investigate opportunities for future development of shared services. The specific objectives of the company will be agreed each year in accordance with the constitution and the Statement of Intent to be agreed between the Board of the company and the shareholders.
Performance Monitoring	<ul style="list-style-type: none"> • Statement of Corporate Intent, Interim Report and Annual Report is presented to the Finance and Audit Committee. • Positive cash flow will be maintained so that the equity ratio is maintained at a minimum of 40%. • Customers will be surveyed annually to ensure that there is at least 90% satisfaction with the services provided. • Expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the directors. • The CEO will provide a written report on the business operations and financial position of the LASS as a minimum on a six monthly basis.

COUNCIL TO ESTABLISH NEW TRUST TO FUND CITY STRATEGY PROJECTS

Council is proposing to establish a new Council-Controlled Organisation (CCO) in order to utilise its share of the fund from the proposed disestablishment of the Waikato Foundation Trust (WFT).

The WFT was established in 1993 by the then Waikato Electricity Authority. The total value of the fund is approximately \$7 million. The aim of the Foundation was to encourage regional cooperation and promote economic and social development and environmental restoration within the combined area of its three constituent authorities (Hamilton City Council, Waipa and Waikato District Councils).

An informal agreement in principle has been reached between the current trustees to disestablish the WFT, subject to establishment of new Trusts by the three local authorities that will receive the proceeds from the WFT. Hamilton City Council is developing a Trust Deed to govern the administration and distribution of its portion of the funding, and as part of this will establish a Council-appointed Trust Board (which will constitute a CCO).

Subject to Council consideration, it is proposed that a 'Vibrant Hamilton' fund be established. This funding will primarily be used to assist delivery of flagship projects from the eight City Strategies, (including those which are currently unfunded in this 2009-19 LTCCP) as well as new projects that are promoted or identified by the community from time to time and adopted by Council.

The details of the proposed transfer of Council's share of the WFT funding, how the new CCO will function and how the fund will operate are still being finalised. A report outlining the proposal to disestablish the WFT and the establishment of a new CCO is anticipated to be considered by Council later in 2009.

For further information about this proposal, please contact the Strategy and Research Unit Manager (phone 838 6637, email tegan.mcintyre@hcc.govt.nz).

10.3 COUNCIL ORGANISATIONS (CO)

In order to achieve its objectives for Hamilton City Council, the Council is involved and represented on a number of organisations.

The list of organisations Council is involved and represented in is based on:

- Any organisation that Council controls, directly or indirectly, 1 or more of the votes at any meeting of the members or controlling body of the organisation.
- Any organisation that Council has the right to directly or indirectly appoint 1 or more of the trustees, directors or managers of the organisation.

The following table explains what the organisations do and how performance is measured.

ORGANISATION	OWNERSHIP	REPRESENTATION (TOTAL MEMBERS)	WHY DOES IT EXIST? (WHY WE OWN/CONTROL IT)	WHAT DOES IT DO? (NATURE AND SCOPE OF ACTIVITIES)	PERFORMANCE MONITORING
Community Well-being Grants Allocation Committee		2 (6)	Representation is by Council policy. To provide financial assistance to not-for-profit community groups.	To allocate funds annually.	Annually report to the Community Development Unit and minutes forwarded to the Community and Environment Committee.
Environment Waikato (Transport Matters)		1	To represent Hamilton city interests in transport matters administered by the Regional Council.	Includes Regional Land Transport Committee and Regional Road Safety Sub-Committee.	Not applicable.
Environment Waikato – Middle Waikato Sub-Committee (Project Watershed)		2	Council representation requested.	It addresses the issues of flood protection, soil conservation and river management.	Not applicable.
Envirofund Allocation Committee		1	The Envirofund was established by Hamilton City Council to assist individuals, groups and community agencies to fund projects and initiatives which encourage sound environmental improvement in Hamilton and contribute to the sustainability of the city.	Distribute Envirofund grants to community environmental groups.	Annually report to the Community and Environment Committee.
Hamilton Creative New Zealand Fund Allocation Committee		1 (8)	Representation is by Council policy. To administer funds on behalf of Creative NZ.	To allocate funds annually.	Annually report to the Community Development Unit and minutes forwarded to the Community and Environment Committee.
Hamilton Community Arts Council		1 (12)	Constitution requires appointment of one member of Council. To promote the arts and culture in the community.	To distribute funds, acts as an advisory agency for the arts, manages projects and events in relation to the arts and culture.	Quarterly report to the Community Development Unit and minutes forwarded to the Community and Environment Committee.
Hamilton Fibre Network Ltd	34.85%	1 (5)	To develop a high speed urban broadband network for Hamilton.	To extend and develop the existing network that has been established from contributions of assets from the shareholders.	Annual report to the Finance and Audit Committee.

ORGANISATION	OWNERSHIP	REPRESENTATION (TOTAL MEMBERS)	WHY DOES IT EXIST? (WHY WE OWN/CONTROL IT)	WHAT DOES IT DO? (NATURE AND SCOPE OF ACTIVITIES)	PERFORMANCE MONITORING
Hamilton Riverview Hotel Ltd	41.38%	1 & CEO (6)	In May 1998, Council entered into a joint venture agreement for the purposes of developing a hotel and conference centre on Victoria St Hamilton. During 2007, the company developed a new hotel (Ibis Tainui Hamilton).	The objective of the company is to own an international standard hotels and conference centre located on the riverside in the central business district.	Interim Report and Annual Report to the Finance and Audit Committee.
Joint Hamilton Sub-Regional Growth Strategy Committee		2	Joint committee with Environment Waikato, Waipa and Waikato District Councils.	Provide governance for the development of a Hamilton Sub-Regional Growth Strategy.	Minutes presented to Council.
Keep Hamilton Beautiful Fund Trust		1 (12)	Representation is by Council request. To raise environmental awareness and encourage action within the local community.	To undertake programmes and projects that encourage individuals and organisations to take responsibility for their environment.	Annual report is circulated to Councillors.
Lake Rotokauri Advisory Committee		1 (8)	Council representation requested. The Committee was set up by the Waikato District Council in 2001, after it gained powers from the Department of Conservation to control and manage Rotokauri Lake reserve.	The Committee oversees the management of the lake in line with the Rotokauri Lake Management Plan (the reserve is vested in the Crown).	Annual report to the Community and Environment Committee.
NZ Local Government Insurance Corporation Ltd (Trading as Civic Assurance)	3.17%	0 (6)	Established by local government and owned by local authorities for the purposes of providing insurance, mutual funding and alternative risk financing products for local government and public sector organisations. Specifically exempted as a CCO in accordance with Section 6(4)(f) of LGA 2002.	Provides tailored insurance policies for local government organisations, but competing in the open tender market. It is Council's primary insurer for the majority of its insurance policies.	Statement of Corporate Intent, Interim Report and Annual Report is presented to the Finance and Audit Committee.
SODA Inc.		2 (5)	Creative industries business incubator in partnership with Wintec.	To encourage and enable economically successful businesses within the creative industries sector to thrive in Hamilton.	Not yet defined.

ORGANISATION	OWNERSHIP	REPRESENTATION (TOTAL MEMBERS)	WHY DOES IT EXIST? (WHY WE OWN/CONTROL IT)	WHAT DOES IT DO? (NATURE AND SCOPE OF ACTIVITIES)	PERFORMANCE MONITORING
Te Runanga o Kirikiriroa Sub-Committee		5	To promote the partnership established between Hamilton City Council and Te Runanga o Kirikiriroa and administer the Maori Project Fund.	The committee oversees the service delivery contract between the two agencies and works to promote the well-being of Maori and Pacific people in Hamilton City. A subcommittee of the Joint Venture Committee is also responsible for the allocation of the Maori project fund.	Meets as required with minutes forwarded to the Community and Environment Committee.
The Katolyst Group (Katolyst)		1 (9)	Formed to own Innovation Waikato Ltd (Innovation Park).	An economic development agency formed with the goal of accelerating economic growth in Hamilton and the Waikato, through increased development of strategic industries and small businesses.	Report six monthly to Council through the City Development Committee on performance for the previous year and its business plan for the coming year.
Waikato Region Civil Defence Emergency Management Group		1 (11)	Constitution requires appointment of one member of Council. The Group is set up under the provisions of the Civil Defence Emergency Management Act 2002.	Coordinates civil defence response and recovery for the whole region.	Quarterly reporting of minutes to the City Development Committee.
Waikato Valley Emergency Operations Area Emergency Management Committee		3	Council is coordinator of these operational meetings and has representation as Hamilton is part of the Waikato Valley area.	Coordinates the operational aspects of key emergency stakeholders within the Waikato Valley Emergency Operations area.	Minutes presented to City Development Committee three times per year.
WEL Energy Trust Joint Territorial Capital Beneficiaries Working Party		Mayor & 1 (6)	A body constituted by the three councils. Jointly with representatives from Waikato and Waipa District Councils to monitor and influence WEL Energy Trust.	To act in the best interests of the capital beneficiaries and the communities they represent.	Reports to the City Development Committee, although no formal report is presented.

INVESTMENT IN INNOVATION PARK

Waikato Innovation Park is New Zealand's growth hub for Ag-Biotech businesses. The park is located on 17 hectares of land next to the Ruakura Research Centre, home to AgResearch, HortResearch, Landcare and Dexcel. It is also in close proximity to the University of Waikato Campus.

Council has invested \$2.4m in Innovation Park to enable development of at least one new building on the site. This investment is also supported by funding contributions from the Ministry of Economic Development's Enterprise Partnership Fund (\$2m towards the new building and \$2m towards operating expenditure) as well as debt funding from Innovation Waikato. This total investment injection will mean that the Park will increase its economic contribution to Hamilton and the national economy. The increased significance of the Park may in turn attract businesses on a global scale.

Council's investment in Innovation Park is being treated as an advance until a proposed restructure of the ownership of Innovation Park is completed, at which time the advance will be converted to equity. It is anticipated this restructure will be completed during 2009/10.

■ 10.4 FEES AND CHARGES

Council has reviewed fees and charges for the 2009/10 financial year. The changes to fees and charges affect the following services:

- Animal Care and Control
- Building Control
- Bylaws
- Cemeteries and Crematorium
- Community Facilities
- Community Halls
- Environmental Health
- Finance
- Footpaths
- Hamilton Gardens Pavilion
- Hamilton Zoo
- Housing Services

Libraries

Museum and ArtsPost

Planning Guidance

Seddon Park

Sports Areas

Swimming Facilities

Waikato Stadium

Wastewater and Stormwater

Water Supply

Full details of fees and charges are available on Hamilton City Council's website www.hamilton.co.nz

■ 10.5 SUMMARY OF FUNDING AND FINANCIAL POLICY (VOLUME TWO)

The following table outlines the policies and statements that Hamilton City Council has adopted. Full versions of the policies and summaries are in the 2009 - 19 Long-Term Plan (Volume Two) - Funding and Financial Policy. Refer to the contents page for more information on places where you can look in Volume Two.

Policy	Outline						
Funding and Financial Policy	Sets out Council's policy parameters, targets and guidelines concerning the policies outlined below, and sets out the guidelines of how Council plans for, and acquires funds to finance its operations, and the projects and programmes planned.						
Revenue and Financing Policy	Shows how Council's operational and capital expenditure will be funded or financed for each significant service, after taking into consideration a number of different factors.						
Significant Forecasting Assumptions	Identifies all significant forecasting assumptions that Council has made in developing its financial projections.						
Investment Policy	Sets out how Council will manage its cash investments, trust funds, special and reserve funds and investment in shares and property, recognising that Council is a net borrower for the foreseeable future.						
Liability Management Policy	Sets out how Council will manage its borrowing, funding and interest rate risks, recognising that Council is a net borrower for the foreseeable future. The policy guides Council on the specific borrowing limits and funding facilities, debt repayment parameters, credit exposure and foreign exchange risk management.						
Rating Policy	Sets out in detail the types of rates, rate systems, differential rating categories and definitions, rating levels, and specific rating policies Council has adopted, and the following remission and postponement policies.						
	<table border="1"> <tr> <td>Rates Remission Policies</td> <td>Sets out Council's criteria for remitting rates, which involves reducing the amount of rates owing or waiving collection of rates under certain circumstances.</td> </tr> <tr> <td>Rates Postponement Policies</td> <td>Sets out Council's criteria for postponing rates which involves the payment of rates that is not waived in the first instance, but delayed until a certain time, or until certain events occur.</td> </tr> <tr> <td>Remission and Postponement of Rates on Maori Freehold Land Policy</td> <td>Sets out Council's criteria for remitting and postponing rates on Maori freehold land, which involves situations where there is no occupier, no economic or financial benefit capable of being derived from the land and there is no practical means of enforcing the rates assessed.</td> </tr> </table>	Rates Remission Policies	Sets out Council's criteria for remitting rates, which involves reducing the amount of rates owing or waiving collection of rates under certain circumstances.	Rates Postponement Policies	Sets out Council's criteria for postponing rates which involves the payment of rates that is not waived in the first instance, but delayed until a certain time, or until certain events occur.	Remission and Postponement of Rates on Maori Freehold Land Policy	Sets out Council's criteria for remitting and postponing rates on Maori freehold land, which involves situations where there is no occupier, no economic or financial benefit capable of being derived from the land and there is no practical means of enforcing the rates assessed.
Rates Remission Policies	Sets out Council's criteria for remitting rates, which involves reducing the amount of rates owing or waiving collection of rates under certain circumstances.						
Rates Postponement Policies	Sets out Council's criteria for postponing rates which involves the payment of rates that is not waived in the first instance, but delayed until a certain time, or until certain events occur.						
Remission and Postponement of Rates on Maori Freehold Land Policy	Sets out Council's criteria for remitting and postponing rates on Maori freehold land, which involves situations where there is no occupier, no economic or financial benefit capable of being derived from the land and there is no practical means of enforcing the rates assessed.						
Funding Impact Statement	Discloses the revenue and financing mechanisms of Council. It sets out how Council will determine the setting and collecting of rates, types of rates, rate systems, differential rating, and rating levels for the period of the 09 – 19 LTCCP.						
Significance Policy	Sets out how Council will decide on the significance of proposals and decisions. The policy guides Council on how to consult when making decisions of varying importance to the community. It also lets the community know what is expected in terms of consultation.						
Partnerships with Private Sector Policy	Sets out Council's policy on committing resources to partnerships between Council and the private sector. It also guides Council on the circumstances Council will enter into partnership arrangements with private businesses, what conditions will be imposed and what consultation will take place.						
Development and Financial Contributions Policy	Sets out how Council will determine the financial contributions to be charged to developers to develop infrastructure and services to support the provision of services as the City develops and to mitigate the economic, environmental and community impacts of additional development in the City.						
Appointment and Remuneration of Directors of Council Organisations Policy	Sets out an objective and process for the identification and consideration of skills, knowledge and experience required of directors of a Council organisation, and the appointment of directors and the remuneration of directors.						

Policy	Outline
Freeholding of Council Domain and Municipal Endowment Leases Policy	Sets out the process Council will follow relating to the sale (freeholding) of Council domain and municipal endowment leases. It also sets out how Council will use the proceeds from the sales of such property.
Business Improvement District (BID) Policy	Provides guidance for prospective Business Improvement Districts on Council's policy on BIDs (Council administers BID programmes and their associated targeted rates). The Policy addresses the establishment of new BID programmes, the setting of targeted rates, the operations of existing BID programmes and managing the performance of BID programmes.
Appendices	Provide further detailed financial information on Council's 2009-19 Long-Term Plan.

10.6 FORECAST FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2010 – 2019

GENERAL INFORMATION

The proposed financial statements are for Hamilton City Council only and do not include transactions related to the group because the differences to the Council financial statements are minimal.

This proposed financial information has been prepared to meet the requirements of the Local Government Act 2002. This information may not be suitable for use in any other context.

The actual results achieved for the period covered by this Long Term Council Community Plan are likely to vary from the information presented in this document, and these variations may be material.

The actual statement of financial position at 30 June 2008 has been used to give an opening position for the proposed statement of financial position. This is the extent to which actual financial results have been incorporated into this Long Term Council Community Plan.

The proposed financial statements comply with Financial Reporting Standard 42 – Prospective Financial Statements.

FORECAST STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 30 JUNE 2010 – 2019											
		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	NOTE	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE											
Rates	2	108,870	114,955	122,467	130,819	139,079	148,261	157,438	165,346	172,051	178,934
Revenue from activities	3	45,094	47,926	57,566	59,621	61,978	63,203	64,890	67,619	69,448	71,697
Capital subsidies	3	3,964	10,437	9,619	18,166	19,477	7,096	4,270	4,856	4,207	3,873
Development contributions	3	9,462	13,841	22,686	24,443	25,931	27,282	27,199	29,465	31,384	34,167
Other contributions/grants	3	2,970	3,810	3,972	3,447	5,709	3,110	8,659	6,159	3,314	3,414
Vested assets	3	11,000	11,165	11,539	11,902	12,276	12,661	13,057	13,497	13,948	14,399
Sundry revenue	3	783	765	780	795	809	597	611	627	642	655
Total operating revenue		182,143	202,899	228,629	249,193	265,259	262,210	276,124	287,569	294,994	307,139
EXPENDITURE											
Depreciation and amortisation		46,526	47,201	48,755	50,647	53,174	56,478	57,518	60,431	63,010	65,309
Employee benefit expenses		53,964	54,773	56,338	57,849	59,360	60,925	62,544	64,325	66,160	67,940
Finance costs	4	19,287	23,146	28,226	31,815	37,827	41,120	43,765	45,469	47,274	48,609
Other expenses	5	59,697	62,678	70,204	72,582	75,558	79,681	82,021	84,900	85,529	87,398
Total operating expenditure		179,474	187,798	203,523	212,893	225,919	238,204	245,848	255,125	261,973	269,256
Net surplus/(deficit)		2,669	15,101	25,106	36,300	39,340	24,006	30,276	32,444	33,021	37,883
OTHER COMPREHENSIVE INCOME											
Net increase in revaluation of assets		93,971	49,907	103,312	101,014	110,016	120,407	129,903	144,428	155,081	161,526
Total other comprehensive income		93,971	49,907	103,312	101,014	110,016	120,407	129,903	144,428	155,081	161,526
Total comprehensive income for the year		96,640	65,008	128,418	137,314	149,356	144,413	160,179	176,872	188,102	199,409

FORECAST STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 30 JUNE 2010 – 2019

		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	NOTE	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Equity balance at 1 July		2,953,428	3,050,068	3,115,076	3,243,494	3,380,808	3,530,164	3,674,577	3,834,756	4,011,628	4,199,730
Total comprehensive income for the year		96,640	65,008	128,418	137,314	149,356	144,413	160,179	176,872	188,102	199,409
Equity balance at 30 June		3,050,068	3,115,076	3,243,494	3,380,808	3,530,164	3,674,577	3,834,756	4,011,628	4,199,730	4,399,139
COMPONENTS OF EQUITY											
Retained earnings at beginning of year		1,612,347	1,606,946	1,622,633	1,648,348	1,680,572	1,713,819	1,731,782	1,753,573	1,774,820	1,792,513
Net surplus/(deficit)		2,669	15,101	25,106	36,300	39,340	24,006	30,276	32,444	33,021	37,883
Transfers (to)/from restricted and council created reserves		(8,070)	586	609	(4,076)	(6,093)	(6,043)	(8,485)	(11,197)	(15,328)	(17,744)
Retained earnings at end of year		1,606,946	1,622,633	1,648,348	1,680,572	1,713,819	1,731,782	1,753,573	1,774,820	1,792,513	1,812,652
Revaluation reserves at beginning of year		1,330,320	1,424,291	1,474,198	1,577,510	1,678,524	1,788,540	1,908,947	2,038,850	2,183,278	2,338,359
Revaluation gains		93,971	49,907	103,312	101,014	110,016	120,407	129,903	144,428	155,081	161,526
Revaluation reserves at end of year		1,424,291	1,474,198	1,577,510	1,678,524	1,788,540	1,908,947	2,038,850	2,183,278	2,338,359	2,499,885
Restricted and council created reserves at beginning of year		10,761	18,831	18,245	17,636	21,712	27,805	33,848	42,333	53,530	68,858
Transfers to/(from) reserves		8,070	(586)	(609)	4,076	6,093	6,043	8,485	11,197	15,328	17,744
Restricted and council created reserves at end of year		18,831	18,245	17,636	21,712	27,805	33,848	42,333	53,530	68,858	86,602
Equity balance at 30 June	9	3,050,068	3,115,076	3,243,494	3,380,808	3,530,164	3,674,577	3,834,756	4,011,628	4,199,730	4,399,139

The accompanying statement of accounting policies and notes to the financial statements form part of and should be read in conjunction with these financial statements.

FORECAST STATEMENT OF FINANCIAL POSITION FOR THE YEARS ENDED 30 JUNE 2010 – 2019											
		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	NOTE	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
EQUITY											
Retained earnings	9	1,606,946	1,622,633	1,648,348	1,680,572	1,713,819	1,731,782	1,753,573	1,774,820	1,792,513	1,812,652
Revaluation reserves	9	1,424,291	1,474,198	1,577,510	1,678,524	1,788,540	1,908,947	2,038,850	2,183,278	2,338,359	2,499,885
Restricted reserves	9	5,212	5,358	5,728	5,914	6,118	6,535	6,768	7,018	7,485	7,773
Council created reserves	9	13,619	12,887	11,908	15,798	21,687	27,313	35,565	46,512	61,373	78,829
Total equity		3,050,068	3,115,076	3,243,494	3,380,808	3,530,164	3,674,577	3,834,756	4,011,628	4,199,730	4,399,139
ASSETS											
CURRENT ASSETS											
Cash and cash equivalents		250	250	250	250	250	250	250	250	250	250
Debtors and other receivables		13,000	13,195	13,637	14,066	14,508	14,963	15,431	15,951	16,484	17,017
Inventories		600	609	629	649	670	691	712	736	761	785
Total current assets		13,850	14,054	14,516	14,965	15,428	15,904	16,393	16,937	17,495	18,052
NON-CURRENT ASSETS											
Property, plant and equipment		3,325,429	3,440,915	3,603,796	3,789,585	4,010,581	4,188,860	4,376,076	4,561,613	4,752,040	4,948,083
Investment property		64,194	65,157	67,340	69,458	71,641	73,887	76,198	78,766	81,398	84,030
Intangible assets		7,105	8,232	9,258	9,501	8,397	6,983	5,973	5,010	4,154	3,827
Other financial assets	6	2,347	2,347	2,347	2,347	2,347	2,347	2,347	2,347	2,347	2,347
Investment in associates	7	13,697	13,697	6,449	6,449	449	449	449	449	449	449
Total non-current assets		3,412,772	3,530,348	3,689,190	3,877,340	4,093,415	4,272,526	4,461,043	4,648,185	4,840,388	5,038,736
Total assets		3,426,622	3,544,402	3,703,706	3,892,305	4,108,843	4,288,430	4,477,436	4,665,122	4,857,883	5,056,788

		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	NOTE	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
LIABILITIES											
CURRENT LIABILITIES											
Creditors and other payables		25,000	25,375	26,225	27,050	27,900	28,775	29,675	30,675	31,700	32,725
Employee entitlements		5,000	5,075	5,245	5,410	5,580	5,755	5,935	6,135	6,340	6,545
Borrowings	8	85,149	98,362	105,838	118,445	135,115	143,645	150,625	153,101	153,939	153,555
Provisions		335	313	292	273	255	239	223	208	195	182
Total current liabilities		115,484	129,125	137,600	151,178	168,850	178,414	186,458	190,119	192,174	193,007
NON-CURRENT LIABILITIES											
Employee entitlements		1,500	1,523	1,574	1,623	1,674	1,727	1,781	1,841	1,902	1,964
Borrowings	8	255,004	294,425	317,077	355,008	404,722	430,518	451,470	458,771	461,509	460,292
Provisions		4,566	4,253	3,961	3,688	3,433	3,194	2,971	2,763	2,568	2,386
Total non-current liabilities		261,070	300,201	322,612	360,319	409,829	435,439	456,222	463,375	465,979	464,642
Total liabilities		376,554	429,326	460,212	511,497	578,679	613,853	642,680	653,494	658,153	657,649
Net assets		3,050,068	3,115,076	3,243,494	3,380,808	3,530,164	3,674,577	3,834,756	4,011,628	4,199,730	4,399,139

The accompanying statement of accounting policies and notes to the financial statements form part of and should be read in conjunction with these financial statements.

FORECAST STATEMENT OF CASHFLOWS FOR THE YEARS ENDING 30 JUNE 2010 – 2019

		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	NOTE	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES											
CASH WILL BE PROVIDED FROM:											
Rates revenue	2	108,870	114,955	122,467	130,819	139,079	148,261	157,438	165,346	172,051	178,934
Fees, rents and charges	3	41,583	44,375	53,808	55,717	57,748	58,970	60,519	63,071	64,714	66,620
Government operating subsidies and grants		3,511	3,551	3,758	3,904	4,230	4,233	4,371	4,548	4,734	5,077
Government capital subsidies and grants	3	3,964	10,437	9,619	18,166	19,477	7,096	4,270	4,856	4,207	3,873
Other capital contributions	3	12,432	17,651	26,658	27,890	31,640	30,392	35,858	35,624	34,698	37,581
Interest received	3	20	0	0	0	0	0	0	0	0	0
Dividends	3	25	250	251	252	253	28	29	30	31	31
Sundry revenue	3	738	515	529	543	556	569	582	597	611	624
		171,143	191,734	217,090	237,291	252,983	249,549	263,067	274,072	281,046	292,740
CASH WILL BE APPLIED TO:											
Salaries and wages		53,964	54,773	56,338	57,849	59,360	60,925	62,544	64,325	66,160	67,940
Payments for supplies and services		58,197	61,155	68,630	70,959	73,884	77,954	80,240	83,059	83,627	85,434
Interest paid		19,287	23,146	28,226	31,815	37,827	41,120	43,765	45,469	47,274	48,609
Net GST paid		1,500	1,523	1,574	1,623	1,674	1,727	1,781	1,841	1,902	1,964
		132,948	140,597	154,768	162,246	172,745	181,726	188,330	194,694	198,963	203,947
Net cash inflow from operating activities		38,195	51,137	62,322	75,045	80,238	67,823	74,737	79,378	82,083	88,793

		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	NOTE	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
CASH FLOWS FROM INVESTING ACTIVITIES											
CASH WILL BE PROVIDED FROM:											
Proceeds from sale of assets		2,250	0	9,948	0	20,400	200	0	0	200	0
		2,250	0	9,948	0	20,400	200	0	0	200	0
CASH WILL BE APPLIED TO:											
Purchase of fixed assets		133,826	102,697	103,501	126,131	165,550	103,375	102,725	88,533	86,960	86,875
		133,826	102,697	103,501	126,131	165,550	103,375	102,725	88,533	86,960	86,875
Net cash outflow from investing activities		(131,576)	(102,697)	(93,553)	(126,131)	(145,150)	(103,175)	(102,725)	(88,533)	(86,760)	(86,875)
CASH FLOWS FROM FINANCING ACTIVITIES											
CASH WILL BE PROVIDED FROM:											
Loans uplifted		106,636	74,291	65,398	77,611	110,020	60,996	52,154	35,723	34,436	31,086
		106,636	74,291	65,398	77,611	110,020	60,996	52,154	35,723	34,436	31,086
CASH WILL BE APPLIED TO:											
Loan repayments		13,005	22,731	34,167	26,525	45,108	25,644	24,166	26,568	29,759	33,004
		13,005	22,731	34,167	26,525	45,108	25,644	24,166	26,568	29,759	33,004
Net cash inflow from financing activities		93,631	51,560	31,231	51,086	64,912	35,352	27,988	9,155	4,677	(1,918)
Net increase (decrease) in cash held		250	0	0	0	0	0	0	0	0	0
Plus opening cash balance 1 July		0	250	250	250	250	250	250	250	250	250
Closing cash and cash equivalents balance		250	250	250	250	250	250	250	250	250	250

Expenditure expected to be carried forward from the 2008/09 year to the LTCCP period have been included in the "Purchase of fixed assets" and "Loans uplifted" amounts above.

■ 10.7 NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Hamilton City Council is a territorial local authority governed by the Local Government Act 2002.

The primary objective of Hamilton City Council is to provide goods or services for the community or social benefit rather than making a financial return.

Accordingly, Hamilton City Council has designated itself as a public benefit entity as defined under New Zealand International Financial Reporting Standards (NZ IFRS).

Basis of Preparation

The financial statements of Hamilton City Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

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

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructure assets, investment property and financial instruments (including derivative instruments).

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of financial performance.

The accounting policies have been applied consistently to all periods presented.

Significant Accounting Policies

Basis of Consolidation

Subsidiaries

Subsidiaries are those entities in which Council has control. Hamilton Properties Ltd is Council's only subsidiary. The company is inactive.

The parent financial statements show the investment in this subsidiary at cost.

Associate Companies

These are entities which the Council has significant influence, but not control, over operating and financial policies.

The parent financial statements show investment in associates at cost.

Revenue Recognition

Revenue is measured at the fair value of consideration received.

Rates Revenue

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable.

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

Other Revenue

Traffic and parking infringements are recognised when tickets are issued.

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 Council (with or without conditions) are recognised as revenue when control over the assets is obtained.

Interest income is recognised as it accrues, using the effective interest method. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Dividend income is recognised when the right to receive payment is established.

Development and financial contributions are recognised as revenue when Council provides, or is able to provide, the service for which the contribution is charged. Otherwise development and financial contributions are recognised as liabilities until such time Council provides, or is able to provide, the service.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where 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 Council's decision.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, using tax rates that have been enacted or substantially enacted by balance date.

Current tax and deferred tax is charged or credited to the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Property, Plant and Equipment

Property, plant and equipment consists of:

Operational Assets

These include land, buildings (which includes cultural assets, community and leisure facilities), improvements, non-restricted parks and gardens, plant and equipment, vehicles, sports areas and library books.

Zoo Animals

Zoo animals are held primarily for a social and recreational purpose. The capital cost consists of the actual expense incurred in acquiring the Zoo animals.

Restricted Assets

These are parks and reserves owned by Council that cannot be disposed of because of legal or other restrictions and provide a benefit or service to the community.

Heritage Assets

These are museum collections and library collections (New Zealand Room).

Infrastructure Assets

These are the fixed utility systems owned by Council. Each asset type includes all items that are required for the network to function.

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

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of financial performance. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably.

Valuation

Unless stated, valuations are carried out or reviewed by independent qualified valuers and are carried out with sufficient regularity to ensure that the carrying value does not differ materially from that which would be determined using fair value at balance date.

Revaluation increases and decreases relating to individual assets within a class of assets are offset. Revaluation increases and decreases in respect of assets in different classes are not offset.

Where the carrying amount of a class of assets is increased as a result of a revaluation, the net revaluation increase is credited to the revaluation reserve. The net revaluation increase shall be recognised in the statement of financial performance to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in the statement of financial performance.

A net revaluation decrease for a class of assets is recognised in the statement of financial performance, except to the extent that it reverses a revaluation increase previously recognised in the revaluation reserve provided a credit balance exists for the same class of asset in the revaluation reserve.

Assets have been valued as follows:

- *Operational Buildings* have been valued at fair value as determined from market-based evidence by independent valuers, otherwise depreciated replacement cost. SPM Consultants Ltd performed the most recent valuation and was effective as at 1 July 2006.
- *Parks and Garden Improvements* have been valued at replacement value by MWH and the valuation was effective as at 1 July 2006.
- *Plant and Equipment (excluding vehicles)* was valued based on market value by Beca and the valuation was effective as at 1 July 2001. Plant and equipment is no longer revalued.
- *Zoo Animals* was valued based on estimated replacement cost by the Zoo Manager and the valuation was effective as at 1 July 2001. Zoo animals are no longer revalued.
- *Heritage Assets* have been valued by professionally qualified library staff (library collection) and an independent consultant (museum collection). The most recent valuation was effective as at 1 July 2006.
- *Infrastructure Assets (excluding land)* have been valued at depreciated replacement cost by independent valuers.

MWH performed the valuations of the Water Treatment Station and Wastewater Treatment Station and the valuations were effective as at 1 July 2006.

MWH performed the most recent valuations of other Infrastructure assets and were effective as at 1 July 2007.

- *Land (excluding land under roads)* was valued at fair value as determined from market-based evidence by independent valuers Quotable Value and the valuation was effective as at 1 July 2006.

- *Land Under Roads* was valued based on fair value of adjacent land determined by Beca and the valuation was effective as at 1 July 2001. Under NZ IFRS, Council has elected to use the fair value of land under roads as at 1 July 2001 as deemed cost. Land under roads is no longer revalued.
- *Work in Progress* All costs associated with the development of land and buildings and other assets are initially recognised as work in progress. On completion, the total cost of the project is transferred to the appropriate asset class and then depreciated.
- *Vested Assets* Certain infrastructure assets and land have been vested in Council as part of the sub-divisional consent process. The vested reserve land has been valued at the latest appropriate valuation or at a mutually agreed market value or at a value determined through arbitration. Vested infrastructure assets have been based on the actual quantities of infrastructure components vested and current 'in the ground' cost of providing identical services.

Depreciation

Depreciation is provided on a straight-line basis at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

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

Buildings – structure/fit out/services	40 - 100 years	1%-2.5%
Plant and Vehicles	3 - 15 years	6.6%-33.3%
Furniture, Fittings and Equipment	5 - 10 years	10%-20%
Library Books	14 years	7.1%
Zoo Animal (acquisition costs)	10 years	10%
Roads and Traffic Network:		
top surface (seal)	6 - 18 years	5.5%-16.6%
pavement (basecourse)	25 - 50 years	2%-4%
catchpits	50 years	2%
culverts	60 - 80 years	1.25%-1.6%
footpaths	50 - 70 years	1.4%-2%
kerbs and traffic islands	70 years	1.4%
signs	12 years	8.3%
street lights	25 years	4%
bridges	150 years	0.6%
traffic signals	15 years	6.6%
barriers	25 - 40 years	2.5%-4%
bus shelters and parking meters	4 - 10 years	10%-25%
verge, embankment and retaining walls	60 years	1.6%
Wastewater Reticulation:		
pipes	60 - 100 years	1%-1.6%
manholes	75 years	1.3%
treatment plant	5 - 100 years	1%-20%
bridges	75 - 100 years	1%-1.3%
pump-stations	15 - 100 years	1%-6.6%
Stormwater System:		
pipes	100 years	1%
manholes, cesspits	100 years	1%
service connections and outlets	30 - 100 years	1%-3.3%
Water Reticulation:		
pipes	60 - 80 years	1.25%-1.6%
butterfly valves	50 - 75 years	1.3%-2%
treatment plant	10 - 120 years	0.8%-10%
meters	20 years	5%
hydrants	50 years	2%
reservoirs	30 - 80 years	1.25%-3.3%

Heritage assets are depreciated by a nominal amount to reflect their extremely long life and heritage value.

Depreciation is not provided in these statements on the following assets:

- Land
- Formation costs associated with roading
- Investment properties
- Properties for resale
- Work in progress and assets under construction

Any work undertaken on infrastructure assets to reinstate (termed 'renewal') or add to the service potential is capitalised.

Investment Properties

Investment properties, which are held to earn rental income and/or for capital appreciation, are stated at fair value. These assets consist of investment properties owned by Council, funded either from Corporate Funds, the Domain Sales Endowment Fund or the Municipal Crown Endowment Fund.

Gains or losses arising from changes in the fair value of investment property are included in the Statement of Financial Performance for the period in which they arise.

The investment property portfolio is valued on an annual basis by two independent valuers, Telfer Young (Waikato) Limited and Darroch Valuations.

Non-Current Assets Held for Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through 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 statement of financial performance.

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

Intangible Assets

Intangible assets comprise:

Computer software licences They are capitalised at historic cost and are amortised on a straight-line basis over their estimated useful lives (5 years). Costs associated with maintaining computer software are recognised as an expense when incurred.

Resource consents which are not attributed to a specific asset They are capitalised at historic cost and are amortised on a straight-line basis over their estimated useful lives (7 to 35 years).

Impairment of Non-Financial Assets

The carrying amount of the Council's assets, other than investment property and inventories are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the future economic benefits of an asset are not primarily dependant on the asset's ability to generate net cash flows, and where the Council would, if deprived of the asset, replace its remaining future economic benefits, value in use shall be determined as the depreciated replacement cost of the asset.

Where the Council accounts for revaluations of property, plant and equipment on a class of asset basis, an impairment loss on a revalued asset is recognised directly against any revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that same class of asset.

Where the Council accounts for revaluations of property, plant and equipment on a class of asset basis, a reversal of an impairment loss on a revalued asset is credited directly to the revaluation reserve. However, to the extent that an impairment loss on the same class of asset was previously recognised in the statement of financial performance, a reversal of that impairment loss is also recognised in the statement of financial performance.

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 any estimated costs of completion and selling expenses.

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.

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

Financial Instruments

Financial assets and liabilities are recognised on the Council's statement of financial position when the Council becomes a party to the contractual provisions of the instrument.

Financial Assets

- Trade and Other Receivables

Trade and other receivables are stated at cost less provision for impairment.

- Investments

The Council classifies its investments in the following categories:

Loans and Receivables

Loans and receivables, such as general and community loans, mortgages, deposits and term deposits, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at initial recognition, at fair value, and subsequently carried at amortised cost less impairment losses.

Held-to-Maturity Investments

Held-to-maturity investments, such as the Sinking Fund, 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. They are measured at initial recognition at fair value, and subsequently carried at amortised cost less impairment losses.

Other Investments

Investments other than held-to-maturity are classed as either investments held-for-trading or as available-for-sale and are stated at cost less the annual test for impairment. For assets designated as held-for-trading, any resultant gain or loss from changes in the value are recognised in the statement of financial performance. For assets designated as available-for-sale, which are measured at fair value, any resultant gain or loss from changes in the fair value is recognised in equity e.g. shares in Local Shared Services Ltd and NZ Local Government Insurance Co Ltd.

- Cash and Cash Equivalents

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

- Impairment of Financial Assets

At each balance sheet date Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of financial performance.

Financial Liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Council after deducting all of its liabilities.

- Bank Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the statement of financial performance using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

- Debt

Debt is categorised as follows:

Total Debt includes all external and internal borrowing

Net Debt equal to total debt less internal borrowing

Total Council Debt equal to total debt less debt funded by development contributions

Refer to Liability Management Policy in Section 5 of Volume Two of the 2009-19 Long-Term Plan for more information.

- Trade and Other Payables

Trade and other payables are initially measured at fair value, and where appropriate are subsequently measured at amortised cost, using the effective interest rate method.

■ Derivative Financial Instruments and Hedge Accounting

The Council's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. Council uses foreign exchange forward contracts and interest rate swaps to manage their foreign currency and interest rate exposure. Derivative financial instruments are recognised initially at fair value. The Council has elected not to hedge account for these derivative financial instruments.

Changes in the fair value of the derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Financial Performance.

Employee Benefits

Provision is made in respect of the liability for annual leave, long service leave, retirement gratuities and short-term compensated absences.

The provision for annual leave and long service leave has been calculated on an actual entitlement basis at current rates of pay.

The provision for retirement gratuities has been calculated on an actuarial basis bringing to account what is likely to be payable in the future in respect of service that employees have accumulated up until twelve months after balance date.

Payments to defined contribution superannuation schemes are recognised as an expense in the financial statements as incurred.

The provision for short-term compensated absences (e.g. sick leave) has been measured as the amount of unused entitlement accumulated at the pay period ending immediately prior to the balance date that the entity anticipates employees will use in future periods, in excess of the days that they will be entitled to in each of those periods.

Leases

Leases consist of:

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, Council recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether 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.

Provisions

Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

Landfill Post-Closure Costs

Council, as operator of the Horotiu landfill, which was closed on 31 December 2006, 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 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 rate that reflects current market assessments of the time value of money and the risks specific to Council.

All subsequent changes in the liability shall be recognised in the statement of financial performance and the periodic unwinding of the discount will also be recognised in the statement of financial performance as a finance cost as it occurs.

Equity

Equity is the community's interest in Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Retained earnings
- Revaluation reserves
- Restricted reserves
- Council created reserves

Retained earnings comprise accumulated surpluses over the years.

Revaluation reserves comprise accumulated revaluation increments/decrements.

Restricted reserves are those funds subject to external restrictions accepted as binding by Council, which may not be revised by Council without reference to the Courts or a third party.

Council created reserves are formally imposed designations of public equity that indicate Council's intention to use a certain level of resources for a special purpose.

Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are recorded at the point at which the contingency is evident and if the possibility that they will materialise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Statement of Cash Flows

Cash comprises cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which Council invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of Council and cash payments made for goods and services.

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

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

Cost of Service Statements

The cost of service statements, included in Section 8 of Volume 1 of this LTCCP, report the costs and revenues relating to the significant activities of Council.

Expenditure includes an allocation of support services and an allocation of interest.

- Support services are those activities, which are not considered to be direct services to the public and are allocated across the significant activities on a basis, which reflects usage of the support services. Included in the allocation for support services is an allocation of the business unit surpluses/deficits. These are allocated where possible on a usage basis.
- Interest is allocated to the outcome area on the basis of the book value of land and buildings employed for each item in the cost of service statements except for water, wastewater, stormwater, refuse, transport centre, outdoor stadium, community assistance grants, economic development grants, property improvements and any other specific projects where the interest on the value of loans appropriated for those activities are allocated entirely to the outcome area.

Critical Judgements and Estimations in Applying the Council's Accounting Policies

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

Management has made the following judgements and estimations that have the most significant effect on the amounts recognised in the financial statements:

Property Plant and Equipment

As the Council is a Public Benefit Entity, property plant and equipment are valued at depreciated replacement cost that is based on an estimate of either fair value or current gross replacement costs of improvements less allowances for physical deterioration, and optimisation for obsolescence and relevant surplus capacity. There are certain assets such as wastewater or stormwater related assets which may be affected by changes in the measurement of qualitative standards which could affect the results of future periods.

The depreciation method used reflects the service potential of assets and is reviewed each year to ensure that there is no under maintenance of assets which could affect the results of future periods.

Landfill Post-closure Provision

The estimate of the provision for landfill post-closure costs is based on assumptions, which may be influenced by changes in technology and society's expectations and could affect future results.

NOTE 2: RATES REVENUE

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
General rates	99,117	106,094	112,773	118,438	125,812	133,804	141,085	147,979	153,963	160,639
Targeted rates – Access Hamilton	2,850	1,600	1,800	4,300	5,000	6,000	7,700	8,500	9,000	9,000
– Water by meter	6,335	6,655	7,075	7,265	7,455	7,651	7,855	8,078	8,309	8,532
– 100% non-rateable land	800	812	835	858	880	903	927	954	981	1,007
– 50% non-rateable land	100	102	104	107	110	113	116	119	123	126
– Business improvement district	200	200	300	300	300	300	300	300	300	300
– Ruakura	0	0	100	100	100	100	100	100	100	100
Rates penalties	600	609	626	643	660	677	695	715	736	755
Less rates remissions	(434)	(397)	(408)	(419)	(430)	(441)	(453)	(466)	(479)	(492)
Less rates charged to Council properties	(698)	(720)	(738)	(773)	(808)	(846)	(887)	(933)	(982)	(1,033)
Total rates revenue	108,870	114,955	122,467	130,819	139,079	148,261	157,438	165,346	172,051	178,934
Less consumption based rates:										
Targeted rates – Water by meter	(6,335)	(6,655)	(7,075)	(7,265)	(7,455)	(7,651)	(7,855)	(8,078)	(8,309)	(8,532)
Total rates revenue excluding consumption based rates	102,535	108,300	115,392	123,554	131,624	140,610	149,583	157,268	163,742	170,402

NOTE 3: OTHER REVENUE

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE FROM ACTIVITIES										
City profile	8,582	8,882	9,204	9,455	9,565	8,976	9,187	9,444	9,650	9,963
City safety	1,630	1,679	1,728	1,773	1,821	1,856	1,914	1,971	2,026	2,079
Community development and amenities	4,062	4,188	4,374	4,545	4,675	4,864	5,042	5,227	5,403	5,584
Democracy	34	229	34	36	248	38	39	269	41	43
Event and cultural venues	7,420	9,187	17,421	18,261	19,205	19,939	20,401	21,006	21,619	22,225
Recreation	4,444	4,595	4,874	5,044	5,203	5,686	5,869	6,578	6,881	7,129
Transportation	11,251	11,228	11,776	12,138	12,682	13,047	13,418	13,855	14,304	14,903
Urban development	4,856	5,081	5,225	5,366	5,507	5,652	5,802	5,967	6,136	6,301
Waste minimisation	919	933	959	985	1,011	1,038	1,065	1,095	1,127	1,157
Water management	3,396	3,447	3,545	3,641	3,735	3,834	3,934	4,048	4,163	4,277
Less internal revenue	(1,500)	(1,523)	(1,574)	(1,623)	(1,674)	(1,727)	(1,781)	(1,841)	(1,902)	(1,964)
Total revenue from activities	45,094	47,926	57,566	59,621	61,978	63,203	64,890	67,619	69,448	71,697
CAPITAL CONTRIBUTIONS										
Capital subsidies	3,964	10,437	9,619	18,166	19,477	7,096	4,270	4,856	4,207	3,873
Vested assets	11,000	11,165	11,539	11,902	12,276	12,661	13,057	13,497	13,948	14,399
Development contributions	9,462	13,841	22,686	24,443	25,931	27,282	27,199	29,465	31,384	34,167
Other contributions/grants	2,970	3,810	3,972	3,447	5,709	3,110	8,659	6,159	3,314	3,414
Total capital contributions	27,396	39,253	47,816	57,958	63,393	50,149	53,185	53,977	52,853	55,853
SUNDRY REVENUE										
Dividends	25	250	251	252	253	28	29	30	31	31
Investment income	20	0	0	0	0	0	0	0	0	0
Other income	738	515	529	543	556	569	582	597	611	624
Total sundry revenue	783	765	780	795	809	597	611	627	642	655
Total other revenue	73,273	87,944	106,162	118,374	126,180	113,949	118,686	122,223	122,943	128,205

NOTE 4: FINANCE COSTS

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Interest on bank borrowings	19,105	22,923	28,002	31,639	37,608	40,893	43,570	45,247	47,075	48,414
Interest on leased assets	182	223	224	176	219	227	195	222	199	195
Total finance costs	19,287	23,146	28,226	31,815	37,827	41,120	43,765	45,469	47,274	48,609

NOTE 5: OTHER EXPENSES

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
City profile	11,643	12,109	12,218	12,675	13,044	12,875	11,871	12,127	12,320	12,515
City safety	3,863	3,908	4,032	4,136	4,255	4,356	4,472	4,599	4,740	4,857
Community development and amenities	17,918	18,733	19,182	19,849	20,659	22,082	23,684	24,383	25,222	25,915
Democracy	5,249	5,751	5,533	5,676	6,194	5,932	6,032	6,638	6,394	6,549
Event and cultural venues	19,982	22,518	29,059	29,784	31,157	31,525	32,153	32,985	33,882	34,703
Recreation	27,742	29,058	31,034	32,831	34,786	37,232	39,227	41,616	43,605	44,930
Transportation	40,649	41,508	43,980	46,389	50,597	54,216	56,311	58,409	60,780	63,146
Urban development	9,731	9,522	9,718	9,592	9,787	9,758	9,900	10,178	10,481	10,738
Waste minimisation	5,937	6,122	6,420	6,725	6,988	7,333	7,648	7,880	8,257	8,595
Water management	39,592	41,611	45,467	48,500	52,122	57,089	59,325	61,803	62,710	65,202
Less internal expenditure	(1,500)	(1,523)	(1,574)	(1,623)	(1,674)	(1,727)	(1,781)	(1,841)	(1,902)	(1,964)
Less rates charged to Council properties	(698)	(720)	(738)	(773)	(808)	(846)	(887)	(933)	(982)	(1,033)
Less interest on internal borrowing	(859)	(1,002)	(1,067)	(1,182)	(1,558)	(2,047)	(2,589)	(3,257)	(4,129)	(5,249)
Total expenses from activities	179,249	187,595	203,264	212,579	225,549	237,778	245,366	254,587	261,378	268,904
Other expenditure	225	203	259	314	370	426	482	538	595	352
Less finance costs	(19,287)	(23,146)	(28,226)	(31,815)	(37,827)	(41,120)	(43,765)	(45,469)	(47,274)	(48,609)
Less employee benefit expenses	(53,964)	(54,773)	(56,338)	(57,849)	(59,360)	(60,925)	(62,544)	(64,325)	(66,160)	(67,940)
Less depreciation and amortisation	(46,526)	(47,201)	(48,755)	(50,647)	(53,174)	(56,478)	(57,518)	(60,431)	(63,010)	(65,309)
Total other expenses	59,697	62,678	70,204	72,582	75,558	79,681	82,021	84,900	85,529	87,398

NOTE 6: OTHER FINANCIAL ASSETS

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
NON-CURRENT PORTION:										
LOANS AND RECEIVABLES										
Loan to Hamilton Fibre Network Ltd	1,011	1,011	1,011	1,011	1,011	1,011	1,011	1,011	1,011	1,011
OTHER INVESTMENTS										
Unlisted shares in Hamilton Properties Ltd	1	1	1	1	1	1	1	1	1	1
Unlisted shares in Local Authority Shared Services Ltd	727	727	727	727	727	727	727	727	727	727
Unlisted shares in NZ Local Government Insurance Co Ltd	608	608	608	608	608	608	608	608	608	608
Total non-current portion	2,347	2,347	2,347	2,347	2,347	2,347	2,347	2,347	2,347	2,347
Total other financial assets	2,347	2,347	2,347	2,347	2,347	2,347	2,347	2,347	2,347	2,347

NOTE 7: INVESTMENT IN ASSOCIATES

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Hamilton Riverview Hotel Ltd (Novotel)	6,000	6,000	6,000	6,000	0	0	0	0	0	0
Waikato Regional Airport Ltd	7,430	7,430	182	182	182	182	182	182	182	182
Hamilton Fibre Network Ltd	267	267	267	267	267	267	267	267	267	267
Estimated balance at 30 June 2009	13,697	13,697	6,449	6,449	449	449	449	449	449	449

NOTE 8: BORROWINGS

The city's debt has been issued in accordance with the Local Government Act 2002. The loans are secured through the debenture trust deed over all rates with one exception. The \$5.204m loan used to purchase Claudelands Park is secured by way of a mortgage.

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
CURRENT										
Secured loans	84,484	97,374	105,181	117,953	134,181	143,019	150,016	152,305	153,474	152,995
Lease liabilities	665	988	657	492	934	626	609	796	465	560
Total current borrowings	85,149	98,362	105,838	118,445	135,115	143,645	150,625	153,101	153,939	153,555
NON-CURRENT										
Secured loans	253,452	292,121	315,544	353,859	402,543	429,057	450,048	456,915	460,423	458,984
Lease liabilities	1,552	2,304	1,533	1,149	2,179	1,461	1,422	1,856	1,086	1,308
Total non-current borrowings	255,004	294,425	317,077	355,008	404,722	430,518	451,470	458,771	461,509	460,292
Total borrowings	340,153	392,787	422,915	473,453	539,837	574,163	602,095	611,872	615,448	613,847

Total borrowings disclosed on the statement of financial position exclude borrowing from internal reserves.

Council's debt servicing performance limits disclosed below include both total borrowings (external debt) and borrowing from internal reserves.

DEBT SERVICING PERFORMANCE LIMITS

Policy Limits – Total Council Debt											
1. Interest on total Council debt (excluding interest on DC debt) as % of total rating income	Max 20%	11%	13%	14%	15%	16%	15%	15%	15%	14%	13%
2. Total Council debt as % of total income (excluding total DC contributions received p.a. in income)	Max 180%	145%	148%	141%	143%	142%	151%	145%	142%	137%	129%
3. Total Council debt per capita (expressed in 2009 \$)	Max \$2,000	\$1,591	\$1,729	\$1,722	\$1,834	\$1,862	\$1,854	\$1,814	\$1,766	\$1,659	\$1,557
Policy Limits – Total Debt											
1. Total debt as % of total assets	Max 25%	10%	12%	12%	13%	14%	14%	14%	14%	14%	14%
2. Total debt as % of total income	Max 250%	208%	213%	202%	208%	223%	243%	244%	242%	243%	239%
3. Interest (total) as % of total income (including total DC contributions received p.a. in income)	Max 20%	11%	12%	13%	13%	15%	16%	17%	17%	17%	17%
4. Liquidity (on total debt & working capital)	Min 110%	117%									

Council uses synthetic instruments (swaps and FRAs) to manage its interest rate risk profile based on independent professional advice.

Term debt includes an interest free loan from the Energy Efficiency and Conservation Authority (EECA).

NOTE 9: EQUITY

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
RETAINED EARNINGS										
Opening balance	1,612,347	1,606,946	1,622,633	1,648,348	1,680,572	1,713,819	1,731,782	1,753,573	1,774,820	1,792,513
Net surplus	2,669	15,101	25,106	36,300	39,340	24,006	30,276	32,444	33,021	37,883
Transfers (to)/from restricted and council created reserves	(8,070)	586	609	(4,076)	(6,093)	(6,043)	(8,485)	(11,197)	(15,328)	(17,744)
Total retained earnings	1,606,946	1,622,633	1,648,348	1,680,572	1,713,819	1,731,782	1,753,573	1,774,820	1,792,513	1,812,652
REVALUATION RESERVES										
GENERAL ASSET REVALUATION RESERVES										
Opening balance	1,330,320	1,424,291	1,474,198	1,577,510	1,678,524	1,788,540	1,908,947	2,038,850	2,183,278	2,338,359
Revaluation gains	93,971	49,907	103,312	101,014	110,016	120,407	129,903	144,428	155,081	161,526
Total revaluation reserves	1,424,291	1,474,198	1,577,510	1,678,524	1,788,540	1,908,947	2,038,850	2,183,278	2,338,359	2,499,885
RESTRICTED AND COUNCIL CREATED RESERVES (DETAILED BELOW)										
Opening balance	10,761	18,831	18,245	17,636	21,712	27,805	33,848	42,333	53,530	68,858
Transfers to/(from) restricted and council created reserves	8,070	(586)	(609)	4,076	6,093	6,043	8,485	11,197	15,328	17,744
Total restricted and council created reserves	18,831	18,245	17,636	21,712	27,805	33,848	42,333	53,530	68,858	86,602
Total equity	3,050,068	3,115,076	3,243,494	3,380,808	3,530,164	3,674,577	3,834,756	4,011,628	4,199,730	4,399,139
RESTRICTED AND COUNCIL CREATED RESERVES										
RESTRICTED RESERVES										
Cemetery plot maintenance in perpetuity	1,887	1,992	2,115	2,249	2,396	2,553	2,721	2,901	3,094	3,302
Domain endowment fund	2,597	2,597	2,797	2,797	2,797	2,997	2,997	2,997	3,197	3,197
Municipal crown endowment reserve	728	769	816	868	925	985	1,050	1,120	1,194	1,274
Total restricted reserves	5,212	5,358	5,728	5,914	6,118	6,535	6,768	7,018	7,485	7,773

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
COUNCIL CREATED RESERVES										
Access Hamilton reserve	5,505	4,263	2,280	1,480	(475)	(2,384)	(2,710)	(1,955)	(343)	1,537
Asset renewal reserve	1,543	3,197	5,015	8,667	13,230	18,797	25,466	33,377	43,920	56,745
Berm levy reserve	33	35	37	39	42	44	47	50	54	57
Bus shelter (Adshel) reserve	61	38	13	(15)	(47)	(82)	(121)	(165)	(213)	(267)
Dame Hilda Ross library memorial reserve	1	1	1	1	1	1	2	2	2	2
Disaster recovery reserve	5,042	5,560	6,148	6,791	7,494	8,252	9,068	9,952	10,904	11,935
Hotel dividend equalisation reserve	(238)	(252)	(269)	(287)	0	0	0	0	0	0
Housing upgrade reserve	3,090	236	251	266	284	302	322	344	367	391
Museum collection reserve	245	293	345	403	467	535	609	690	777	871
Peachgrove lounge site development reserve	45	48	51	54	58	61	65	70	74	79
Project watershed reserve	674	484	473	404	350	249	122	(22)	149	355
Reserves contribution fund	215	137	972	(340)	0	0	0	0	0	0
Retiring gratuity reserve	555	587	624	665	710	758	809	865	924	989
Roman Catholic schools library reserve	2	2	2	3	3	3	3	3	3	4
Rotokauri/Te Rapa land sale reserve	4,991	5,268	0	0	0	0	0	0	0	0
Septic tank reserve	(32)	11	58	(24)	23	74	(14)	38	94	0
Storm damage reserve	259	273	290	308	328	350	373	398	424	452
V8 event reserve	(7,691)	(6,269)	(4,732)	(3,096)	(1,480)	(525)	478	1,550	2,696	3,923
Waiwhakareke lake subdivision reserve	(407)	(430)	0	0	0	0	0	0	0	0
Waste minimisation reserve	3	51	140	216	376	490	587	779	922	1,047
WINTEC recreation area development reserve	(2)	(2)	(2)	(3)	(3)	(3)	(3)	(3)	(3)	(4)
WRAL capital reserve	(390)	(805)	0	0	0	0	0	0	0	0
Zoo animal acquisition reserve	115	161	211	266	326	391	462	539	622	713
Total council created reserves	13,619	12,887	11,908	15,798	21,687	27,313	35,565	46,512	61,373	78,829
Total restricted and council created reserves	18,831	18,245	17,636	21,712	27,805	33,848	42,333	53,530	68,858	86,602

NOTE 10: CAPITAL EXPENDITURE

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
CAPITAL EXPENDITURE DISCLOSED IN COST OF SERVICE STATEMENTS										
City Profile	1,322	2,509	23	24	24	25	26	27	28	29
City Safety	20	20	21	22	22	23	24	25	25	26
Community Development and Amenities	1,951	4,872	3,087	5,056	10,661	9,421	2,695	2,612	2,602	2,914
Democracy	0	0	0	0	0	0	0	0	0	0
Event and Cultural Venues	24,570	24,116	1,072	755	990	790	803	978	855	910
Recreation	5,797	5,084	13,749	7,215	22,578	13,938	21,095	15,661	4,389	7,725
Transportation	13,993	15,535	33,275	70,663	90,040	42,231	27,966	40,334	33,569	45,888
Urban Development	0	0	0	0	0	0	0	0	0	0
Waste Minimisation	415	413	71	71	79	87	100	85	95	110
Water Management	21,829	24,317	34,070	30,948	29,644	29,434	39,011	20,385	36,821	20,275
CAPITAL EXPENDITURE INCURRED BY BUSINESS UNITS AND INTERNAL SERVICE UNITS										
City Parks	148	31	32	33	34	35	36	37	38	39
Information Services	3,352	3,368	3,331	2,607	1,201	327	477	504	188	650
Property Management	5,013	4,432	4,705	4,913	5,421	5,572	8,893	6,490	6,458	6,482
Utilities	50	50	44	30	39	31	62	42	46	37
Total capital expenditure	78,460	84,747	93,480	122,337	160,733	101,914	101,188	87,180	85,114	85,085
TOTAL CAPITAL EXPENDITURE FUNDED BY:										
Loans (development contributions)	10,726	13,917	27,731	35,415	59,362	38,290	36,662	22,757	35,048	32,427
Loans (rates)	42,459	37,485	16,937	26,189	36,448	22,574	22,367	22,761	12,908	14,624
Loans (reserves)	1,153	3,649	9,142	15,935	15,172	4,638	182	154	32	33
Other reserves	1,021	4,613	6,513	2,283	560	505	538	561	263	255
Subsidies	3,964	4,937	9,619	18,166	19,477	7,096	4,270	4,856	4,207	3,873
Other revenue	1,208	1,026	1,161	1,112	3,398	1,222	6,743	4,213	1,337	1,406
General rates	17,929	19,120	22,377	23,237	26,316	27,589	30,426	31,878	31,319	32,467
Total capital expenditure	78,460	84,747	93,480	122,337	160,733	101,914	101,188	87,180	85,114	85,085

NOTE 11: RECONCILIATION OF NET COST OF GROUP ACTIVITIES TO THE NET SURPLUS

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
OPERATING SURPLUS/(DEFICIT) FROM COST OF SERVICE STATEMENTS										
City Profile	(426)	(60)	1,165	516	691	117	1,544	1,703	1,893	2,087
City Safety	(165)	6	6	61	88	76	223	213	260	335
Community Development and Amenities	(117)	654	775	1,293	1,029	961	2,084	1,688	1,959	2,549
Democracy	(409)	(3)	(11)	119	192	153	487	488	575	740
Event and Cultural Venues	(509)	415	165	281	378	239	820	867	1,105	1,575
Recreation	892	4,668	5,111	5,594	7,802	5,656	10,822	8,607	6,281	8,505
Transportation	(3,417)	(2,321)	4,089	13,523	12,315	(1,782)	(3,219)	(755)	(1,673)	(2,564)
Urban Development	(336)	50	49	145	189	156	390	378	453	571
Waste Minimisation	(74)	254	268	414	548	510	773	912	1,050	1,278
Water Management	(4,630)	(725)	883	1,269	2,273	3,214	703	1,589	3,039	3,157
add Vested assets	11,000	11,165	11,539	11,902	12,276	12,661	13,057	13,497	13,948	14,399
remove Interest on internal borrowing	859	1,002	1,067	1,182	1,558	2,047	2,589	3,257	4,129	5,249
Net surplus/(deficit) per statement of comprehensive income	2,668	15,105	25,106	36,299	39,339	24,008	30,273	32,444	33,019	37,881

NOTE 12: COST OF SERVICE FUNDING SURPLUS/(DEFICIT)

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
FUNDING SURPLUS/(DEFICIT) FROM COST OF SERVICE STATEMENTS										
City Profile	(391)	(174)	(346)	(188)	(149)	(149)	(70)	(25)	(15)	33
City Safety	(347)	(164)	(170)	(141)	(104)	(109)	(47)	(17)	(2)	34
Community Development and Amenities	(2,339)	(1,113)	(1,167)	(968)	(712)	(771)	(348)	(113)	2	276
Democracy	(883)	(475)	(475)	(399)	(316)	(315)	(180)	(109)	(80)	(3)
Event and Cultural Venues	(2,022)	(989)	(814)	(588)	(398)	(389)	(54)	59	138	318
Recreation	(3,403)	(1,782)	(1,813)	(1,548)	(1,185)	(1,293)	(497)	(154)	7	402
Transportation	(2,671)	(220)	(1,198)	(791)	(424)	(420)	245	396	696	1,160
Urban Development	(764)	(327)	(336)	(248)	(181)	(173)	(72)	(22)	0	58
Waste Minimisation	(752)	(369)	(390)	(331)	(256)	(272)	(128)	(55)	(24)	62
Water Management	(2,889)	(1,291)	(1,277)	(1,010)	(838)	(1,064)	(83)	182	430	920
Cost of service funding surplus/(deficit)	(16,461)	(6,904)	(7,986)	(6,212)	(4,563)	(4,955)	(1,234)	142	1,152	3,260

