

8.0 Financial Section

(TE TAHA PUTEA)

8.1 Financial Overview

Rates Levied

For the 2007/08 financial year, the Council has budgeted income from rates of \$92.249m (2006/07 \$85.3m). Rates income will increase by 8.12 per cent for the 2007/08 year, which includes the Access Hamilton targeted rate. Taking account of growth in the city's rating base, this represents an average increase of 5.94 per cent to existing Hamilton ratepayers. The rate table below shows the total rates and rate increase for year 2 of the 2006-16 LTCCP (LTCCP) and the 2007/08 Annual Plan excluding and including the adjustment for growth in the city's rating base.

\$m	LTCCP	Annual Plan
	2007/08	2007/08
Total rates levy	\$91.9m	\$92.2m
Rates levy (total increase)	7.72%	8.12%
less rating growth (new ratepayers)	(\$1.4m)	(\$1.86m)
Rates levy increase to existing ratepayers	6.08%	5.94%
Targeted rate - Access Hamilton	0.00%	0.00%
Inflation (CPI) adjustment	3.20%	3.20%
Rate increase to existing ratepayers above inflation (CPI) adjustment	2.88%	2.74%

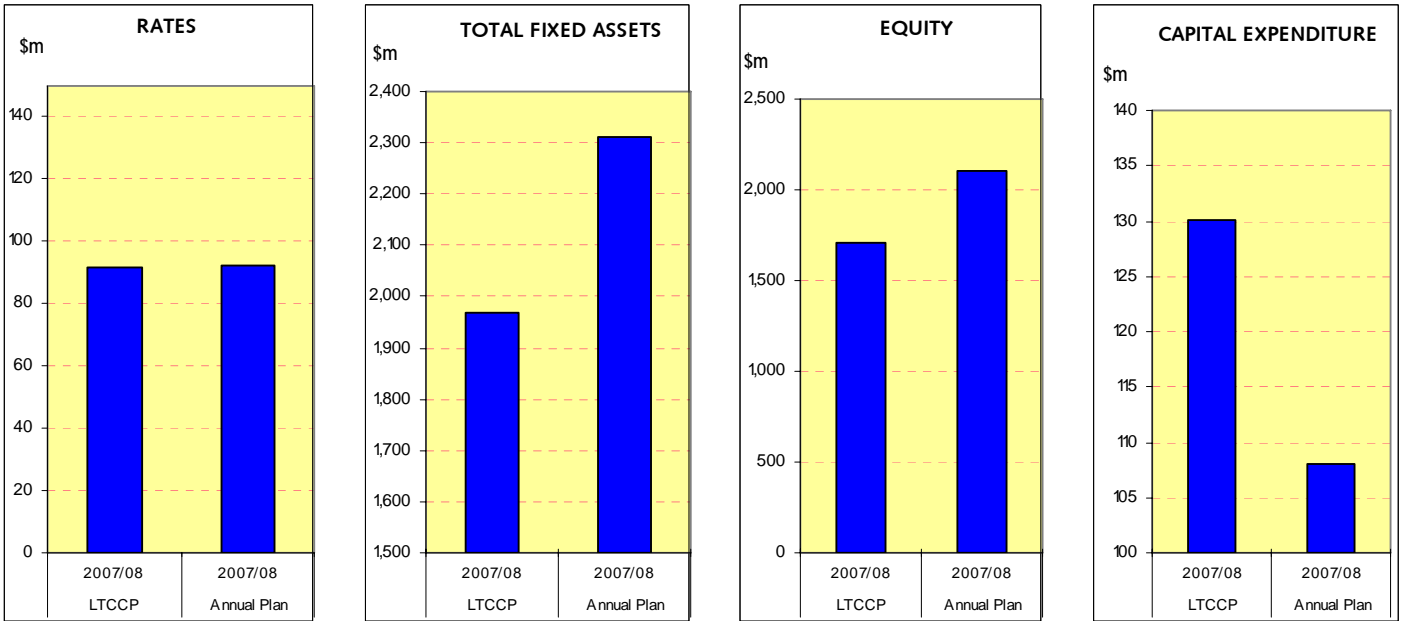
Rates by Property Section

The indicative rates levy for 2007/08 on the average value of each property sector is:

\$	Annual Plan
	2007/08
residential	1,446
inner city	953
commercial	8,764
multi-unit	3,794
rural residential	2,972
rural large	4,501
rural small	1,771

Financial Summary

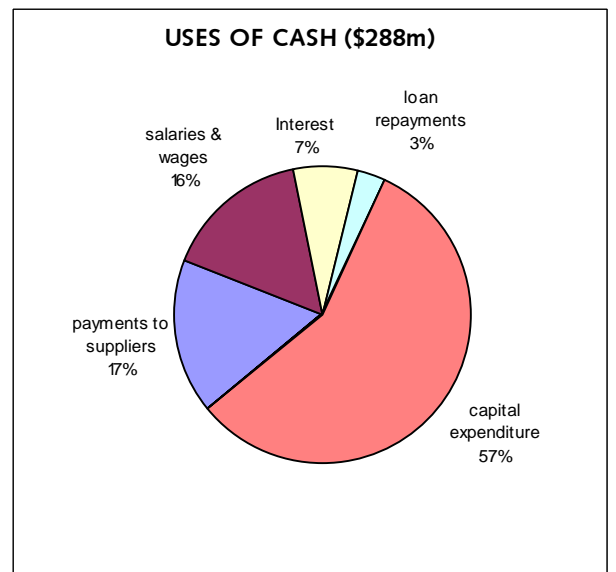
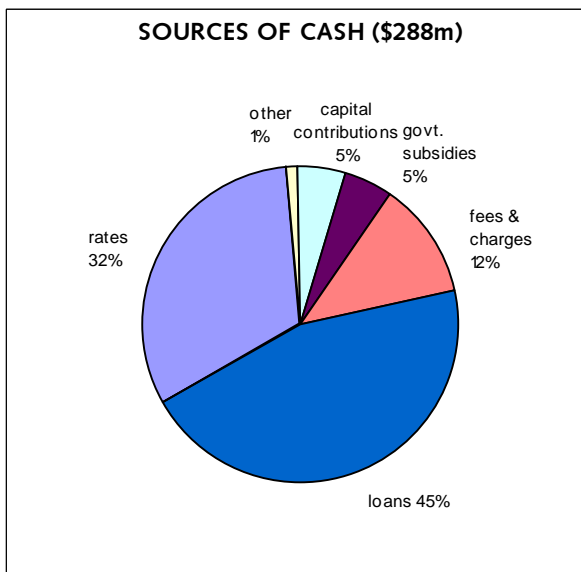
A graphical presentation of key financial statistics for June 2007 as indicated in the LTCCP and the 2007/08 Annual Plan is shown as follows.



	LTCCP	Annual Plan
	2007/08	2007/08
Rates (incl penalties less remissions and rates charged to Council properties)	92	92
Total fixed assets	1,967	2,310
Equity	1,713	2,101
Capital expenditure	130	108

Cash Flow

The estimated sources and uses of cash for the year ended 30 June 2008 is summarised as follows:



City Debt

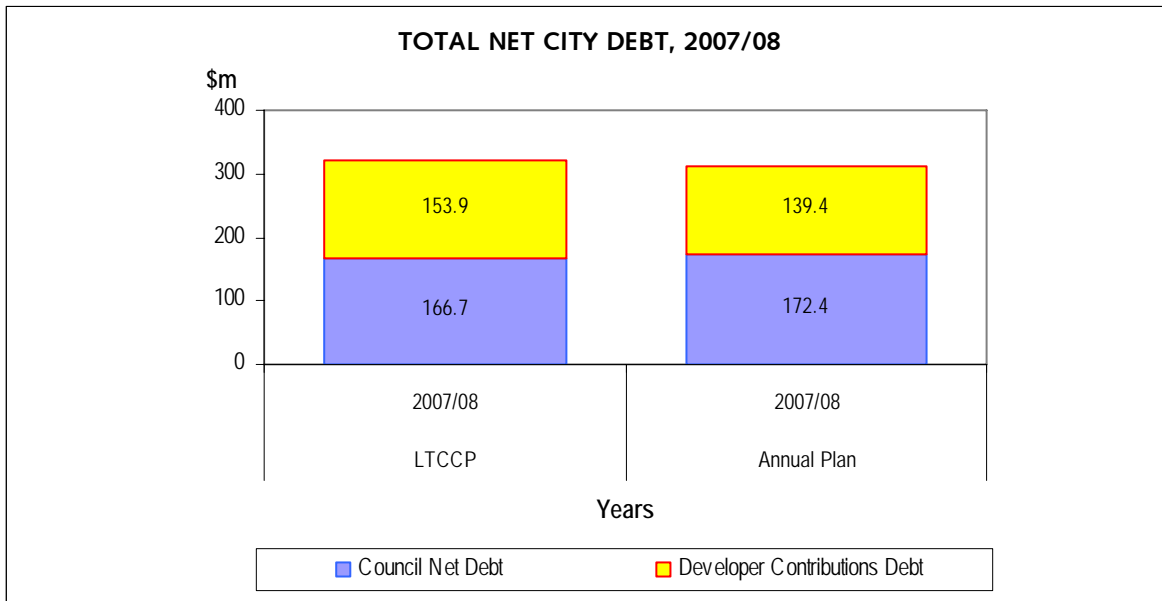
The overall level of net city debt including internal borrowing will total \$311.8m for the 2007/08 financial year. This compares to \$320.6m for 2007/08 as indicated in the LTCCP. Council has budgeted for internal borrowing from special funds and other cash funds of \$25m. Rather than sourcing all its borrowing externally, Council utilises funds from reserves and working capital to reduce external borrowing and charges an interest rate on these funds, which is then added to the reserves.

There are two categories of Council debt. These being:

1. Council debt comprising debt funded by reserves and Access Hamilton (Knox St carpark), debt funded by Access Hamilton Reserve, and debt funded by rates, and
2. Debt funded by development contributions.

Debt funded by development contributions at the end of the 2007/08 financial year is \$139.4m.

The graph below shows the total net city debt levels for June 2008 as indicated in the LTCCP and in the 2007/08 Annual Plan, split between Council net debt and debt to be funded by development contributions.



Debt Balances (including internal borrowing)

\$m	LTCCP	Annual Plan
	2007/08	2007/08
Funded by Reserves & Access Hamilton (Knox St Carpark)	7.7	8.1
Funded by Access Hamilton Reserve	22.1	24.7
Funded by Rates	136.9	139.7
Closing Balance - Council Net Debt	166.7	172.4
Funded by Development Contributions	153.9	139.4
TOTAL CLOSING BALANCE NET DEBT	320.6	311.8

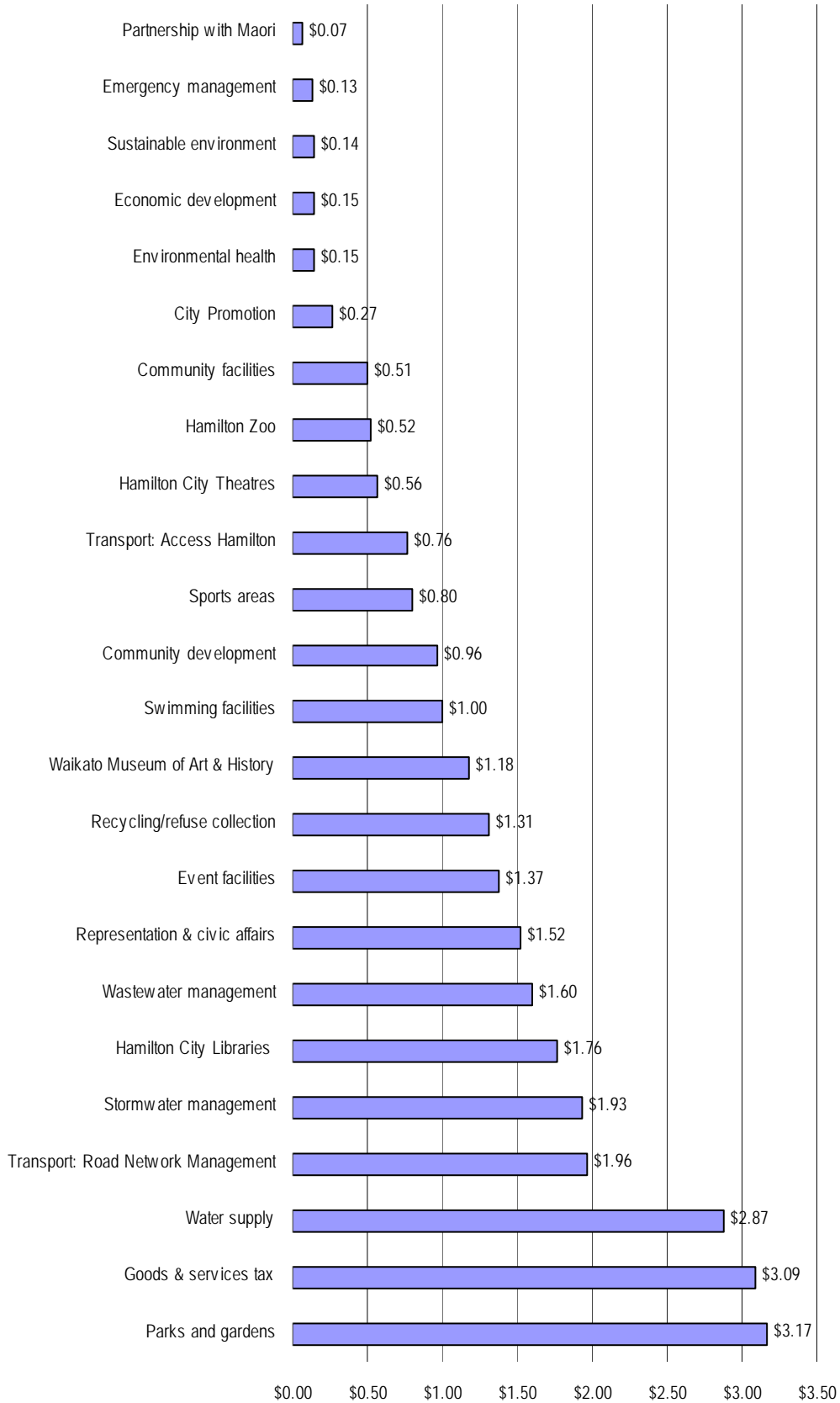
Debt Servicing Performance Limits

	LTCCP	Annual Plan
Policy Limits - Council Net debt	2007/08	2007/08
1. Interest on Council debt (excluding interest on DCL* debt) as % of total rating income (Max 20%)	11.3%	10.7%
2. Net debt (Council) as % of total income (Max 180%) (excluding total DCL contributions received p.a. in income)	114%	114%
3. Net debt (Council) per capita	1,204	1,232
Policy Limits - Total Net debt		
1. Net debt as % of total assets (Max 25%)	16%	13%
2. Net debt as % of total income (Max 300%)	202%	192%
3. Interest (total) as % of total income (Max 20%) (including total DCL contributions received p.a. in income)	13.2%	12%
4. Liquidity (on total net debt & working capital) (Min 110%)	113.0%	112.5%

* Development Contributions Levy

Indicative Residential Rates

For 2007/08, the rates levy on the average value Hamilton home will be \$1,446, that is, about \$28 per week. The indicative rates levy per week is presented graphically below for each significant service of Council.



8.2 Statement of Accounting Policies for the Year Ended 30 June 2008

Reporting Entity

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

The financial statements cover all the activities of Hamilton City Council and its 100 per cent owned Council-Controlled Organisation (CCO), Hamilton Properties Ltd. As this CCO is non-trading, Council and consolidated figures have not been disclosed separately in the financial statements.

Under New Zealand International Financial Reporting Standards (NZ IFRS), Hamilton City Council is a public benefit entity (PBE) and will be subject to policies and exemptions that may not apply to Hamilton Properties Ltd. Where PBE treatment of specific issues differs from the usual treatment, this fact is noted in each policy.

The financial statements of Hamilton City Council are for the year ended 30 June 2008.

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 infrastructural 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.

Standards and interpretation issued and not yet adopted –

There are no standards, interpretations, and amendments that have been issued, but are not yet effective, that Council has not yet applied.

1. Basis of Consolidation

Subsidiaries

The results of Hamilton Properties Ltd have been consolidated using the purchase method. The company's balance date is 30 June. The company is inactive.

Associate Companies

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

The results of Waikato Regional Airport Ltd and Hamilton Riverview Hotel Ltd have been reflected in the financial statements on an equity accounting basis. This method shows the share of surpluses/deficits in the Statement of Financial Performance and the original investment updated for the share of post-acquisition changes in net assets of the associates, in the Statement of Financial Position.

2. 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.

Other Revenue

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.

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 in the Statement of Financial Performance on the date the contributions are invoiced, on the basis these contributions relate to projects within the 2006-16 Long-Term Plan, and contributions have been taken in anticipation of these projects being undertaken.

3. Borrowing Costs

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

4. 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.

5. **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.

6. **Property, Plant and Equipment**

(i) (a) 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).

Infrastructural Assets

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

- (b) 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.

(ii) **Valuation**

Unless stated, valuations are carried out or reviewed by independent qualified valuers and are carried at least on five yearly cycles. Valuations will be undertaken more regularly if necessary to ensure no individual item of property, plant and equipment within a class has a carrying value that is materially different from its fair value.

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 market value where possible otherwise depreciated replacement cost. The most recent valuation was performed by Beca and Quotable Value and the valuation effective as at 1 July 2001.
- **Plant and Equipment (excluding vehicles)** have been valued at market value where possible otherwise cost less depreciation. The most recent valuation was performed by Beca and the valuation effective as at 1 July 2001.
- **Zoo Animals** have been valued at estimated replacement cost by the Zoo Manager. The most recent valuation was effective as at 1 July 2001.
- **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 2001.
- **Infrastructural Assets (excluding land)** have been valued at depreciated replacement cost by independent valuers. The most recent valuations were performed by Beca and MWH, and the valuations were effective as at 1 July 2005.
- **Land Under Roads** was valued based on fair value of adjacent land determined by Beca effective 1 July 2001. Under NZ IFRS, Council

has elected to use the fair value of land under roads 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 capitalised 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 infrastructural 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 infrastructural assets have been based on the actual quantities of infrastructural components vested and current 'in the ground' cost of providing identical services.

(iii) Depreciation

Depreciation is provided on a straight-line basis at rates, which 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	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 infrastructural assets to reinstate (termed 'renewal') or add to the service potential is capitalised.

7. Investment Properties and Properties for Resale

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 an independent valuer, Attewell Gerbich Havill Ltd.

8. 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.

9. Intangible Assets

Intangible assets comprise:

- Computer software licences. They are capitalised at historic cost and are amortised over their estimated useful lives (5 years).
- Resource consents which are not attributed to a specific asset. They are capitalised at historic cost and are amortised over their estimated useful lives.

10. 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, 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.

11. Inventories

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

12. 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.

(i) 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, such as the 7.69 per cent share in Local Shared Services Ltd and 3.17 per cent share in New Zealand Local Government Insurance Company Ltd. 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.

- **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(ii) **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.

- **Net Debt**

Net debt will be reported in total (Total Net Debt), as well as under two subtotals:

- Council Net Debt, comprising debt which is to be funded from:
 - Reserves,
 - Access Hamilton, and
 - Rates.
- Development Contributions Net Debt, which is to be funded from:
 - Development and Financial Contributions (DCL)

Refer to Liability Management Policy in Section 5 of Volume II 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.

13. **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.

14. **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.

15. Provisions

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

16. Landfill Post-Closure Costs

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

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including 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.

Within reserves a transfer is made to Horotiu Aftercare Reserve, which exists to fund the aftercare costs of the Horotiu Landfill after the site closes in December 2006.

17. 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.

18. 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.

19. 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.

20. Cost of Service Statements

The Cost of Service Statements reports 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.

21. 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.

22. Prospective Financial Information

The purpose for the preparation of the prospective financial statements is to enable ratepayers, residents and any other interested parties, to obtain information about the expected future financial performance, position and cash flows of Hamilton City Council for the year ending 30 June 2008. The

information contained in these statements may not be appropriate for the purposes other than as previously described.

The preparation of prospective financial statements requires management to make 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, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from these estimates and the variations may be material.

The financial information contained in this document is prospective financial information. Significant forecasting assumptions are disclosed under Section 8 - Other Financial Policies and 2006-16 Long-Term Plan Assumptions (Volume II of the Funding and Financial Policy).

8.3 Significant Forecasting Assumptions and Risks

Significant forecasting assumptions and risks underlying the financial estimates in the Annual Plan are identified in the 2006-16 Long-Term Council Community Plan. For further details refer to Section 3, Volume 2 of the 2006-16 Long-Term Plan.

Some assumptions have changed and impacted on this Annual Plan. Those changes to assumptions and risks are detailed as follows:

Sale of Assets

The sale of Waiwhakareke Lake subdivision has been deferred from 2007/08 to 2008/09. In the 2006-16 Long-Term Plan, proceeds from this sale were budgeted to repay debt (funded by rates). This debt repayment is now budgeted to occur in 2008/09. No other assets sales are budgeted, apart from the operational replacement of motor vehicles.

Interest Rates on Borrowing

Interest paid on new debt has been budgeted at a rate of 7.95% in 2007/08, before adjustment for existing financial instruments used to manage interest rate risk (e.g. Swaps) in this Annual Plan. In the 2006-16 Long-Term Plan interest paid on new debt was budgeted at 7.76% for 2007/08.

Growth Rates

The projected long-term growth rates for the city have been reviewed as part of the Development and Financial Contributions Policy. This has resulted in some minor adjustments to the growth predictions over the period of the 2006-16 Long-Term Plan and some reductions to population and new units of demand predictions beyond this timeframe, both of which impact on the levies and total revenue forecast to be recovered by the Development and Financial Contributions Policy.

8.4 Financial Statements

Proposed Statement of Financial Performance For the Year Ended 30 June 2008

	Note	LTP 2007/08 \$000	Annual Plan 2007/08 \$000
Revenue			
Rates	1	91,549	91,840
Other revenue	2	73,167	75,106
Other gains/(losses)		1,350	1,750
Total Operating Revenue		166,066	168,696
Expenditure			
Other expenses	3	90,645	95,031
Finance costs	4	20,414	19,562
Depreciation and amortisation	5	34,357	37,247
Total Operating Expenditure		145,416	151,840
Share of Associate's retained surplus		670	670
Net Surplus		21,320	17,526

Projected Statement of Changes in Equity For the Year Ended 30 June 2008

	Note	LTP 2007/08 \$000	Annual Plan 32355 \$000
Equity balance at 1 July		1,630,684	2,011,721
Net surplus for the year		21,320	17,526
Net increase in revaluation of assets		61,207	71,786
Total recognised revenue/(expense) for the year		82,528	89,312
Equity at 30 June 2008		1,713,211	2,101,033

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

Proposed Statement of Financial Position For the year ended 30 June 2008

	Note	LTP 2007/08 \$000	Annual Plan 2007/08 \$000
Equity			
Retained earnings	9	1,374,862	1,350,776
Revaluation reserves	9	324,385	734,270
Restricted reserves	9	3,891	3,929
Council created reserves	9	10,073	12,058
Total Equity		1,713,211	2,101,033
Assets			
Current Assets			
Cash and cash equivalents		0	0
Other financial assets	6	1,513	1,551
Trade and other receivables		10,320	10,615
Inventories		571	655
Derivative financial instruments		543	317
Total Current Assets		12,947	13,138
Non-Current Assets			
Property, plant and equipment		1,967,122	2,309,765
Investment property		43,551	56,875
Intangible assets		6,808	4,697
Other financial assets	6	3,774	3,990
Investment in associates	7	15,217	30,861
Derivative financial instruments		0	531
Total Non-Current Assets		2,036,472	2,406,719
Total Assets		2,049,419	2,419,857
Liabilities			
Current Liabilities			
Trade and other payables		20,640	16,500
Employee benefits		3,500	3,500
Borrowings	8	8,655	20,128
Finance lease liability		775	775
Derivative financial instruments		506	59
Total Current Liabilities		34,076	40,962
Non-Current Liabilities			
Employee benefits		1,500	1,300
Finance lease liability		2,918	2,143
Borrowings	8	293,372	268,134
Landfill aftercare provision		3,542	6,285
Derivative financial instruments		800	0
Total Non-Current Liabilities		302,132	277,862
Total Liabilities		336,208	318,824
Net Assets		1,713,211	2,101,033

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

**Proposed Statement of Cashflows
For the Year Ended 30 June 2008**

	Note	LTP 2007/08 \$000	Annual Plan 2007/08 \$000
Cash flows from operating activities			
Cash will be provided from:			
Rates revenue	1	91,549	91,840
Fees, rents and charges		32,773	36,426
Petrol tax		1,032	1,000
Government operating subsidies and grants		3,114	3,189
Government capital subsidies and grants	2	12,874	11,350
Other capital contributions	2	15,009	14,793
Interest received	2	114	97
Dividends	2	251	251
		156,716	158,946
Cash will be applied to:			
Salaries and wages		44,421	47,379
Payments for supplies and services		46,429	47,656
Interest paid		19,839	19,562
		110,689	114,597
Net Cash Inflow from Operating Activities		46,027	44,349
Cash flows from investing activities			
Cash will be provided from:			
Sinking funds withdrawn		0	350
Sale of assets		8,255	0
		8,255	350
Cash will be applied to:			
Purchase of fixed assets		130,035	163,844
		130,035	163,844
Net Cash (Outflow) from Investing Activities		(121,780)	(163,494)
Cash flows from financing activities			
Cash will be provided from:			
Loans uplifted		92,833	129,019
Finance leases raised		0	200
		92,833	129,219
Cash will be applied to:			
Loan repayments		16,304	8,767
Finance lease repayments		776	1,307
		17,080	10,074
Net Cash Inflow from Financing Activities		75,753	119,145
Net increase (decrease) in cash held		0	0
Plus opening cash balance 1 July		0	0
Closing Cash Balance 30 June 2008		0	0
Made up of:			
Cash and Bank		0	0
Closing Cash Balance 30 June 2008		0	0

Proposed Capital Expenditure Statement
For the Year Ended 30 June 2008

	LTP 2007/08 \$000		Annual Plan 2007/08 \$000								Funding Source
	SAP No.	Expenditure	Expenditure	FUNDED BY							
				Loans by Res	Loans by DCL	Loans by Rates	Reserves	Subsidies	Other Revenue	Depn	
Investing in our People											
Cemeteries and crematorium											
Hamilton Park road maintenance	53.0	109	109								109
Hamilton Park cemetery gully development	317.0	31	31								31
Cremator and maintenance	T 513.0	304	356			356					
Hamilton Park cemetery cremator maintenance	T 613.0	52									
City beautification											
Asset renewal (city beautification)	65.0	10	10								10
Hamilton Gardens											
Hamilton Gardens development	99.0	157	157		15						141
Asset Renewals (structures) Hamilton Gardens	T 754.0		18								18
Housing services PMU											
Housing upgrade programme	654.0	3,552									HU/UC
Parks and gardens											
Land purchase for reserves	118.0	13,202	13,202		13,202						
Land acquisition/development of esplanade programme	120.0	21	21		9						11
Cultural sites (incl Waahi Tapu) recognition programme	121.0	18	18								18
Gully park development programme	122.0	21	21				21				PW
Hamilton Lake Domain redevelopment	125.0	62	62								62
Asset renewals (structures)-Parks and Gardens	129.0	38	38								38
Riverbank stability programme	130.0	103	103				103				PW
Claudelands Park development	131.0	258	258		108						150
Taitua Arboretum development	134.0	44	44		20						25
Carpark development programme	135.0	100	100								100
Pedestrian linkage on parks	136.0	180	180								180
Recreation equipment programme	137.0	201	201								201
Nursery upgrade	138.0	47	47								47
Carpark maintenance programme	139.0	154	154								154
Parks & Gardens asset renewals	143.0	83	83								83
Riverside walkways signposting	146.0	42	42								42
Replacement of Lake Domain tearooms	341.0	2,425	2,425		607	1,818					
Park seats	483.0	10	10								10
Waiwhakareke Natural Heritage Park funding	609.0	153	153		38				62		53
Asset renewals (structures)-Hamilton Gardens	T 754.0	18									
Porritt Stadium-surface drainage and irrigation	760.0	96	96								96
Porritt Stadium caretakers shed	761.0	95	95								95
Land acquisition infill	800.0	83	83		83						
Sports areas											
Minogue Park netball courts resurfacing	158.0	189	189								189
Provision of changing rooms on parks	162.0	630	630								630
Asset renewals-Sports Areas	163.0	52	52								52
Cricket Wicket renovations at Jansen/Galloway Parks	N 834.0		148								148
Galloway Park sports changing rooms & public toilet	N 835.0		600						475		125
Swimming facilities											
Asset renewal Waterworld	212.0	155	155								155
Asset renewal Gallagher Aquatic Centre	213.0	41	41								41
Lido and Hydroslide Leisure Pool	R 216.0	3,271	3,003			3,003					
Changing room refurbishment-Gallagher Aquatic Centre	713.0	175	175								175
Toilets											
Public toilets	221.0	288	288		64						224
Total Investing in our people		26,470	23,397		14,147	5,178	124		537		3,412

Part A: Hamilton City Council's 2007/08 Annual Plan

Proposed Capital Expenditure Statement
For the Year Ended 30 June 2008

	LTP 2007/08 \$000		Annual Plan 2007/08 \$000								Funding Source
	SAP No.	Expenditure	Expenditure	FUNDED BY							
				Loans by Res	Loans by DCL	Loans by Rates	Reserves	Subsidies	Other Revenue	Depn	
Creating Identity and Prosperity											
Animal care and control											
Wire mesh cover for exercise yards	616.0	41	41								41
Economic development											
Christmas decorations	85.0	52	52								52
V8 Supercars track construction	T 825.0		4,802			3,302			1,500		UC
Libraries											
Library collection purchases	106.0	1,095	1,095								1,095
North east sector library land purchase	107.0	1,246	1,246		910	335					
Libraries asset renewal	698.0	60	60								60
Libraries improvement programme	699.0	61	61								61
Libraries information & communication technology	700.0	18	18								18
Parking enforcement											
Parking meter replacement	117.0	21	21								21
Hamilton City Theatres											
Theatre improvements programme	219.0	68	68								68
Theatres equipment renewals	220.0	221	221								221
Founders Theatre air conditioning	695.0	511	511			511					
Claudelands Events Centre											
Claudelands indoor stadium/events centre upgrade	R/T 524.0	2,322	7,903			7,903					
Claudelands Event Centre upgrade	T 666.0	7,599									
Equipment hire pool	667.0	15	15								15
Renewals	671.0	121	121								121
Telecommunications upgrade	D 684.0	103									
Waikato Museum of Art and History											
Beale Cottage heritage garden	705.0	20	20								20
Museum development fund	708.0	41	41								41
Rangiriri restoration stage 2	B 709.0		130								130
Museum renewals	710.0	106	106								106
Waikato Stadium											
Waikato Stadium No.2 ground redevelopment	372.0	117	117								117
Waikato Stadium asset renewal	531.0	44	44								44
Waikato Stadium wireless LAN	665.0	10	10								10
Seddon Park											
Seddon Park asset renewals	532.0	31	31								31
Seddon Park fibre installation/ voice data upgrade	693.0	52	52								52
Zoo											
Renewal animal enclosures	718.0	83	83								83
Renewal buildings structures etc	719.0	93	93								93
Security perimeter fencing	768.0	276	276								276
Creating identity and prosperity		14,425	17,237		910	12,052			1,500	2,775	

**Proposed Capital Expenditure Statement
For the Year Ended 30 June 2008**

	LTP 2007/08 \$000		Annual Plan 2007/08 \$000								Funding Source
	SAP No.	Expenditure	Expenditure	FUNDED BY							
				Loans by Res	Loans by DCL	Loans by Rates	Reserves	Subsidies	Other Revenue	Depn	
Protecting our Future											
Transport: Access Hamilton											
Norton Rd (investigation and design)	27.0	2,906	2,906	2,906							
E1 East Hamilton arterial design & construction	375.0	9,701	9,701	2,837	1,528			5,335			
Mill St intersections (Tristram-Willoughby-Anglesea)	527.0	619	619	181	98			341			
Peachgrove-East St, Te Aroha-Peachgrove	B 529.0		103	67	36						
Ruakura Rd (Peachgrove to E1)	530.0	103	103	30	17			57			
Ulster-Willoughby link	537.0	72	72	72							
Wairere Drive (designation, land, intersections, 4 laning etc)	544.0	9,503	9,503	4,687	2,525			2,290			
Cycleway construction (Access Hamilton)	545.0	653	653	191	103			359			
Bus infrastructure	728.0	103	103	46				57			
Grey Claudeland intersection upgrading	B 735.0		206	206							
Walking cycleway Grandview to Minogue Park	744.0	72	72	72							
Off road walkway cycleway programme (new)	778.0	575	575	231			28	316			PW
Boundary Rd-Fifth Ave improvements	803.0	186	186	54	30			102			
Carriageways management											
Subdivision associated works	17.0	119	119		119						
Miscellaneous land purchases	30.0	52	52								52
Kerb and channel replacement	40.0	1,094	1,094					492			602
Area wide treatment	41.0	751	751					338			413
Bridge resurfacing	42.0	52	52					24			28
Carriageways reseals	44.0	1,469	1,469					660			808
Stormwater quality improvements	46.0	52	52					24			28
Rotokauri roading future growth	D 554.0	16,229	1,230		1,230						
Rototuna roading growth	555.0	8,101	8,101		6,899	1,202					
Implementation of disability strategy	765.0	26	26								26
Central area off-street parking											
Off street carpark resurfacing	236.0	14	14								14
Footpaths, cycleways and verges											
Footpaths & verges shape correction	92.0	1,342	1,342								1,342
Litter bins	94.0	21	21								21
Footpath construction	97.0	77	77								77
Refuse (excl Horotiu)											
Closed landfill consent requirements	563.0	41	41								41
Renewals at closed landfills	564.0	28	28								28
Refuse disposal (Horotiu)											
Horotiu aftercare	746.0	14	14								14
Stormwater reticulation											
Customer connections to the network	165.0	258	258						258		UC
Stormwater impact mitigation	167.0	119	119								119
Rototuna/Flagstaff trunks	170.0	2,099	2,099		2,099						
Reticulation network renewals	175.0	218	218								218
Upgrade network to prevent flooding	176.0	650	650								650
River outfall improvements	178.0	57	57								57
Renew stormwater outlets to kerbs	180.0	31	31								31
Project Watershed emergency works	388.0	88	88					88			PW
Rotokauri pipe network	D 548.0	2,626									
Renewals associated with Avalon Drive bypass	567.0	21	21								21
Peacocke pipe network	573.0	24	24		24						
Peacocke mitigation wetlands	574.0	46	46		46						

Part A: Hamilton City Council's 2007/08 Annual Plan

**Proposed Capital Expenditure Statement
For the Year Ended 30 June 2008**

	LTP 2007/08 \$000		Annual Plan 2007/08 \$000								Funding Source
	SAP		FUNDED BY								
	No.	Expenditure	Expenditure	Loans by Res	Loans by DCL	Loans by Rates	Reserves	Subsidies	Other Revenue	Depn	
Traffic services/street lighting											
Minor safety improvements		222.0	310					170			139
Traffic improvements		223.0	155					85			70
Traffic calming		224.0	258					142			116
Amenity lighting		226.0	36								36
Installation of new street lights		227.0	206					114			93
CBD improvements	T	228.0	5,676			2,374					
Bus shelters		229.0	21				21				
Street furniture		230.0	21								21
Replacement of existing street lights		231.0	344						155		189
Traffic signal renewal		232.0	124						56		68
Street sign renewal		233.0	182						82		100
Traffic signal controller replacement		234.0	52						23		28
Safety barriers renewal		235.0	26						12		14
School speed zones (signage & education)	N	827.0	260	143					117		
Wastewater reticulation											
Customer connections to the network		239.0	206						206		
Contributions for increasing pipe sizes in subdivisions		241.0	52			52					
Rototuna wastewater trunk mains	R	242.0	501		1,266						
Network upgrade to subdivisional standards		245.0	464								464
Refurbishment of interceptors & trunk services		247.0	826								826
Replacement of pumping station SCADA system	D	249.0	258								218
Replacement asbestos cement rising mains		250.0	88								88
Pump station asset management upgrades		251.0	186								186
Pump station storage		253.0	124								124
Corrosion venting of interceptors		255.0	15								15
Rotokauri wastewater trunkmains	D	547.0	516								
Pump station electrical components		577.0	144								144
Peacocke wastewater trunkmains		581.0	103		103						
WW renewals associated with Avalon Drive bypass		749.0	191								191
Peacocke stage 1		797.0	361		361						
Wastewater treatment plant											
Wastewater Treatment Plant upgrade	D	238.0	4,011								
WWTP capital improvements		305.0	418				361				57
WWTP sludge lagoon		306.0	361								
WWTP asset renewals		307.0	194								194
Water reticulation											
Customer connections to the water network		261.0	175						175		
Rototuna water supply trunkmains	R	262.0	391		743						
Contribution for increasing pipe sizes in subdivisions		264.0	21		21						
Water network new mains		267.0	568								568
Water network mains renewal		269.0	1,032		1,032						1,032
Water network fitting renewals	R	270.0	280								411
Bulkmain valve automation		272.0	83								83
Bulkmain augmentation & extension		277.0	1,820		1,820						
Rotokauri water supply trunkmains	D	549.0	337								
Installation of new water meters		561.0	10								10
Citywide backflow device installation		565.0	258								258
Peacocke water supply trunkmains		593.0	12				12				
Network upgrades for infill development		595.0	619		619						
Renewals associated with Avalon Drive bypass		753.0	77								77
Water treatment station											
Reservoir asset renewals		278.0	37								37
WTS asset renewal	D	294.0	414								104
WTS filter improvements		298.0	155								155
Reservoir capital improvements		304.0	52								52
WTS capital improvements (resource)	R	519.0	537		192	376					72
Capital improvements		764.0	31								31
Protecting Our Future			83,548	59,328	11,724	19,944	4,313	497	11,350	640	10,859

**Proposed Capital Expenditure Statement
For the Year Ended 30 June 2008**

	LTP 2007/08 \$000		Annual Plan 2007/08 \$000								Funding Source
	SAP No.	Expenditure	Expenditure	FUNDED BY							
				Loans by Res	Loans by DCL	Loans by Rates	Reserves	Subsidies	Other Revenue	Depn	
Corporate Contribution											
Design services											
Survey equipment renewal	546.0	10	10							10	
Information management											
Data capture	R 102.0	181	103							103	
IT system upgrades	444.0	121	121							121	
IT system enhancements	639.0	504	504							504	
Property and risk management (support)											
Vehicles and plant replacement	149.0	1,099	1,099				155			944	VR
Property management capital asset renewal	R 150.0	2,929	2,845							2,845	
Emergency mgmt replace radio telephone repeater	618.0	10	10							10	
Pensioner Housing renewals	647.0	419	419							419	
Additional plant and fleet purchase for WEC	670.0	30	30							30	
Additional Fleet	726.0	169	169							169	
Public toilet upgrades	773.0	95	95							95	
Utilities											
Tools of trade	642.0	26	26							26	
Corporate Contribution											
		5,592	5,431				155			5,276	
Total		130,035	105,392	11,724	35,001	21,542	776	11,350	2,677	22,322	

Variations to LTCCP

- B** Bought forward
- D** Deleted/Deferred
- N** New
- R** Revised costing
- T** Transfers

Funding Source Key

- Vehicle and Plant Reserve VR
- User Charges/Other Contributions UC
- Mighty River Power Reserve MR
- Bus Shelter Reserve BS
- Project Watershed Reserve PW
- Housing Upgrade Reserve HU

Proposed Financial Statements for the Year ended 30 June 2008

Note 1: Rates Revenue

	LTP 2007/08 \$000	Annual Plan 2007/08 \$000
General Rates	88,911	89,019
Targeted rates attributable to activities:		
Access Hamilton	2,560	2,560
100% non-rateable land	392	580
50% non-rateable land	41	90
	91,904	92,249
Rates penalties	568	570
Less rates remissions	(245)	(300)
Less rates charged to Council properties	(678)	(679)
Total Rates Revenue	91,549	91,840

Note 2: Other Revenue

	LTP 2007/08 \$000	Annual Plan 2007/08 \$000
Revenue		
Investing in our people	7,091	7,134
Creating identity and prosperity	15,665	18,141
Protecting our future	17,053	18,262
	39,809	43,537
Less internal revenue	(3,922)	(3,922)
Total Revenue	35,887	39,615
Capital Contributions		
Land Transport New Zealand capital subsidies	11,098	11,350
Housing New Zealand subsidies	1,776	0
Vested assets	8,000	8,000
Contributions to Project Watershed reserve	621	621
Contributions to DCL reserve/infrastructural reserve	11,966	10,818
Contributions for Bus shelter (Adshel) reserve	59	59
Other contributions/grants	2,362	2,677
Total Capital Contributions	35,883	33,525
Sundry Revenue		
Petrol tax	1,032	1,000
Dividends	251	251
Investment income	114	97
Other income	0	618
Total Sundry Revenue	1,397	1,966
Total Other Revenue	73,167	75,106

Proposed Financial Statements for the Year ended 30 June 2008

Note 3: Other Expenses

	LTP 2007/08 \$000	Annual Plan 2007/08 \$000
Investing in our people	38,855	39,489
Creating identity and prosperity	38,688	41,495
Protecting our future	73,546	76,374
	151,089	157,358
Less internal expenditure	(3,922)	(3,922)
Less rates charged to Council properties	(678)	(679)
Less interest on internal borrowing	(1,104)	(1,321)
Total external expenses	145,385	151,436
Other expenditure	31	404
	145,416	151,840
less finance costs	(20,414)	(19,562)
less depreciation and amortisation	(34,357)	(37,247)
Total Other Expenses	90,645	95,031

Note 4: Finance Costs

	LTP 2007/08 \$000	Annual Plan 2007/08 \$000
Interest expense		
Interest on bank borrowings	20,350	19,440
Interest on leased assets	64	122
Total Finance Costs	20,414	19,562

Note 5: Depreciation and Amortisation

	LTP 2007/08 \$000	Annual Plan 2007/08 \$000
Depreciation	33,898	36,801
Amortisation	459	446
Total Depreciation and Amortisation	34,357	37,247

Proposed Financial Statements for the Year ended 30 June 2008

Note 6: Other Financial Assets

	LTP 2007/08 \$000	Annual Plan 2007/08 \$000
Current portion		
Loans and receivables		
Mortgage		0
Short term deposits with maturities of 4-12 months		39
Held to maturity		
Sinking fund investments	1,513	1,512
Total current portion	1,513	1,551
Non-current portion		
Loans and receivables		
Held to maturity		
Loan to CTC Aviation Training (NZ) Ltd	3,259	3,259
Other Investments		
Shares in Hamilton Properties Ltd	0	0
Shares in Local Authority Shared Services Ltd	1	222
Shares in NZ Local Government Insurance Co Ltd	514	509
Total non-current portion	3,774	3,990

There are no impairment provisions for other financial assets

The fair value of sinking funds are determined by reference to published price quotations in an active market

Sinking fund investments are restricted to the repayment of associated borrowings and are administered by the sinking fund Commissioners

The investment in unlisted shares are initially recognised at cost and the carrying amount is increased or decreased to recognise Council's share of the surplus or deficit after the date of acquisition

Council Investments include 1,000 shares in Hamilton Properties Ltd which are eliminated on consolidation

Other Investments are comprised as follows:	Number of shares	% Holding
Hamilton Properties Ltd	1,000	100.00
Local Authority Shared Services Ltd		
- Ordinary shares	1	7.69
- Shared Valuation Data shares	220,514	13.72
NZ Local Government Insurance Co Ltd	202,729	3.17

Note 7: Investment in Associates

	LTP 2007/08 \$000	Annual Plan 2007/08 \$000
Hamilton Riverview Hotel Ltd (Novotel)	4,053	12,091
Waikato Regional Airport Ltd	10,494	18,100
Share of movement in asset revaluation reserve	670	670
Estimated balance at 30 June 2008	15,217	30,861

Investments in Associates are comprised as follows:	Number of shares	% Holding
Hamilton Riverview Hotel Ltd (Novotel)	42	41.38
Waikato Regional Airport Ltd	1,430,000	50.00

Proposed Financial Statements for the Year ended 30 June 2008

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 .

	LTP 2007/08 \$000	Annual Plan 2007/08 \$000
Maturity analysis		
Payable no later than one year	10,275	21,748
Later than one, and not later than two years	8,594	27,174
Later than two years and not later than five years	52,045	91,013
Later than five years	231,114	148,327
Net Term Debt (excluding lease liabilities)	302,027	288,262
Payable no later than one year	10,275	21,748
Less renewal loans to be raised	1,620	1,620
Current	8,655	20,128
Non-current	293,372	268,134
Net Term Debt (excluding Internal Borrowing)	302,027	288,262
Sinking Funds	(1,513)	(1,512)
EECA Loans	57	57
Internal Borrowing	20,000	25,000
Net Term Debt (including Internal Borrowing)	320,571	311,807
Overall net debt will be funded in subsequent years as follows:		
Funded by Reserves & Access Hamilton (Knox St Carpark)	7,715	8,099
Funded by Access Hamilton Reserve	22,106	24,675
Funded by Rates	136,923	139,670
Closing Balance Council Net Debt	166,744	172,444
Funded by Development Contributions	153,827	139,363
Closing Balance Total Net Debt	320,571	311,807

DEBT SERVICING PERFORMANCE LIMITS

Policy Limits - Council Net debt

1. Interest on council debt (excluding interest on DCL debt) as % of total rating income	Max 20%	11%	10.8%
2. Net debt (council) as % of total income (excluding total DCL contributions received p.a. in income)	Max 180%	114%	114%
3. Net Debt (Council) per capita	Max \$1800	\$1,204	\$1,232

Policy Limits - Total Net debt

1. Net debt as % of total assets	Max 25%	16%	13%
2. Net debt as % of total income	Max 300%	202%	192%
3. Interest (total) as % of total income (including total DCL contributions received p.a. in income)	Max 20%	13.2%	12.1%
4. Liquidity (on total net debt & working capital)	Min 110%	113%	112.5%

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)

Council has analysed the overall net debt based on the sources of funding used to repay the principal and interest cost for subsequent financial years

The statement of financial performance reflects a net off of internal borrowing interest to eliminate the internal interest charged to the statements of strategic intent

Proposed Financial Statements for the Year ended 30 June 2008

Note 9: Equity

	LTP 2007/08 \$000	Annual Plan 2007/08 \$000
Retained Earnings		
Opening balance	1,353,217	1,334,616
Net surplus	21,320	17,526
Transfers (to)/from restricted and council created reserves	325	361
Total Retained Earnings	1,374,862	1,352,503
Revaluation Reserves		
General asset revaluation reserves		
Opening balance	263,178	662,484
Increase in revaluation of assets including intangible assets	61,207	71,786
Closing Balance	324,385	734,270
Restricted Reserves		
Cemetery plot maintenance in perpetuity	1,580	1,450
Domain endowment fund	2,275	2,443
Waikato art gallery endowment	36	36
Total Restricted Reserves	3,891	3,929
Council Created Reserves		
Access Hamilton	781	880
Berm levy reserve	0	1
Bus shelter (Adshel)	150	80
Dame Hilda Ross library memorial	2	2
Disaster recovery	3,898	3,910
General interest reserve	0	4
Horotiu reserve	114	0
Mighty River Power Reserve	0	329
Museum collection	185	167
Peachgrove lounge site development	45	35
Project watershed	346	346
Roman Catholic schools library	5	5
Rotokauri/Te Rapa land sale	4,327	4,253
Septic tank reserve	(37)	(37)
Storm damage reserve	116	223
Waitawhiriwhiri plant reserve	0	38
WINTEC recreation area development reserve	0	(2)
Zoo animal acquisition	141	97
Total Council Created Reserves	10,073	10,331
Total Restricted and Council Created Reserves	13,964	14,260
Total Equity	1,713,211	2,101,033

Note: The 2007/08 Annual Plan figure for opening equity has been adjusted to agree with the financial statements as at 30 June 2006. Opening balances for reserves have been adjusted to reflect estimated June 2007 balances.

Proposed Financial Statements for the Year ended 30 June 2008

Note 10: Capital Expenditure

	LTP 2007/08 \$000	Annual Plan 2007/08 \$000
Capital Expenditure disclosed in Statements of Strategic Intent		
Investing in our People	26,470	23,397
Creating Identity and Prosperity	14,425	17,237
Protecting our Future	83,548	59,328
Capital Expenditure incurred by Corporate Business Units and Support Services (detailed below)		
Corporate Contribution	5,592	5,430
Total Capital Expenditure	130,035	105,392
Total capital expenditure funded by:		
Loans (Reserves & Access Hamilton)	11,256	11,724
Loans (DCL)	45,893	35,001
Loans (Rates)	34,065	21,542
Other reserves	530	776
Subsidies	12,874	11,350
Other revenue	2,362	2,677
Depreciation (Rates)	23,055	22,322
Total Capital Expenditure	130,035	105,392
Capital Expenditure incurred by Corporate Business Units and Support Services		
Design services	10	10
Information management	805	728
Property management	4,751	4,667
Utilities	26	26
Total	5,592	5,431
Capital expenditure funded by:		
Other reserves	155	155
Depreciation (rates)	5,437	5,276
Total	5,592	5,431

Note 11: Transit New Zealand Act Disclosures

This information is presented in accordance with section 31 of the Transit New Zealand Act which requires Council to separately disclose those activities that use their own staff or assets in providing in-house professional services for which funding is received from the Land Transport Disbursement Account. Surpluses or deficits on operation of the business units are transferred to relevant Statements of Strategic Intent.

	LTP 2007/08 \$000	Annual Plan 2007/08 \$000
Roads and traffic business unit		
Operating costs	1,873	2,308
Less revenue:		
In-house professional services	(1,056)	(1,248)
Other revenue	(1,423)	(1,655)
Net (Surplus) / Deficit	(606)	(595)
Design services business unit		
Operating costs	3,311	3,789
Less revenue:		
In-house professional services	(877)	(986)
Other revenue	(2,370)	(2,666)
Net (Surplus) / Deficit	64	137

Proposed Financial Statements for the Year ended 30 June 2008

Note 12: Commitments and Contingencies

	LTP 2007/08 \$000	Annual Plan 2007/08 \$000
Commitments		
Capital expenditure commitments	20,640	20,640
Non cancellable operating lease commitments	1,334	1,334
Total Commitments	21,974	21,974
Contingencies		
Loan guarantees ¹	372	372
Uncalled capital Waikato Regional Airport Ltd ²	10,800	10,800
Insurance claim excess and other claims	568	568
Total Contingencies	11,740	11,740

¹ Council is at times requested to act as Guarantor to loans raised by community organisations and sports clubs for the construction of facilities on reserve land.

² During May 2004 the shareholders of Waikato Regional Airport Limited (of which HCC has a 50% shareholding) authorised the company to issue further shares totalling \$21.6m to existing shareholders. This capital restructure is part of the WRAL Airport Development and allows WRAL to borrow at commercially favourable interest rates.

The WRAL Airport Development is estimated to cost \$20.5m over the next 4 years, which is being funded by new external borrowings of \$14.6m and retained earnings. Whilst there are no plans to call up the capital, Council has a contingent liability for \$10.8m for uncalled capital.

SPECIAL AND CAPITAL PROJECTS - UNFUNDED

The Special and Capital Projects – Unfunded section of the Annual Plan refers to projects that have merit but Council's financial resources do not allow these projects to proceed. Some unfunded projects will be considered for funding in subsequent years whilst for others, Council will endeavour to find alternative sources of funding.

Annual Plan 2007/08 \$000							
	FUNDED BY						
	SAP No	Expenditure Type	Total Cost	Rates	Loans by Res	Loans by DCL	Loans by Rates
A - Investing in our People							
Cemeteries and crematorium							
Cemetery road maintenance Hamilton East	56.0	C	392	392			
Social development							
North east sector new community centre	611.0	C	155	90		65	
Creating Identity and Prosperity							
Economic development							
CBD entertainment fund 1	763.0	M	52	52			
Strategic thinking programme	795.0	M	103	103			
Hamilton City Theatres							
Founders Theatre stage enlargement	696.0	C	722				722
Founders west foyer development	697.0	C	206				206
Waikato Museum of Art and History							
Museum access	704.0	C	516	516			
Cultural entrance	707.0	C	826	826			
Seddon Park							
Catering concession and public toilet block	685.0	C	85				85
Pavilion air conditioning	688.0	C	67	67			
Pavilion air conditioning O&M impact	688.1	M	5	5			
Public sound and pa system	690.0	C	52	52			
Renewal & upgrade of the path surrounding the perimeter of the Oval	692.0	R	146	146			
Protecting our Future							
Carriageways management							
Powerline undergrounding programme unfunded	395.0	M	317	317			
Corporate Contribution							
Communication and marketing							
City christmas tree	625.0	C	175	175			
Works and Services Management							
Home energy efficiency measures programme	619.0	M	31	31			
Total			3,850	2,772		65	1,013

TOTAL OPERATING EXPENDITURE

ALL FIGURES IN \$000s	LTP 2007/08 \$000	Annual Plan 2007/08 \$000
INVESTING IN OUR PEOPLE		
Community development	3,197	3,085
Community facilities	5,717	5,665
Emergency management	812	834
Partnership with maori	273	265
Representation and civic affairs	5,653	6,011
Environmental health	1,585	1,623
Parks and gardens	12,651	12,912
Sports areas	3,074	3,213
Swimming facilities	5,893	5,881
Subtotal Operating Expenditure	38,855	39,489
CREATING IDENTITY AND PROSPERITY		
Environmental services	9,321	11,495
Economic development	1,069	1,018
City promotion	1,827	2,091
Hamilton city theatres	3,075	3,186
Hamilton city libraries	7,518	7,528
Waikato museum of art and history	4,768	4,906
Event facilities	8,409	8,507
Hamilton zoo	2,701	2,764
Subtotal Operating Expenditure	38,688	41,495
PROTECTING OUR FUTURE		
Wastewater management	13,452	14,054
Stormwater management	6,865	7,609
Recycling/refuse collection	6,788	5,877
Water supply	12,896	14,054
Sustainable environment	695	706
Transport: Road network management	26,552	26,957
Transport: Access Hamilton	4,109	4,794
Endowment and investment property portfolio management	2,189	2,323
Subtotal Operating Expenditure	73,546	76,374
Total Operating Expenditure	151,089	157,358

TOTAL OPERATING REVENUE

ALL FIGURES IN \$000s	LTP 2007/08 \$000	Annual Plan 2007/08 \$000
INVESTING IN OUR PEOPLE		
Community development	396	314
Community facilities	2,671	2,804
Emergency management	329	319
Representation and civic affairs	198	174
Environmental health	528	580
Parks and gardens	803	760
Sports areas	132	132
Swimming facilities	2,034	2,051
Subtotal Operating Revenue	7,091	7,134
CREATING IDENTITY AND PROSPERITY		
Environmental services	9,358	11,726
City Promotion	0	261
Hamilton city theatres	1,057	1,024
Hamilton city libraries	782	758
Waikato museum of art and history	455	375
Event facilities	3,297	3,237
Hamilton zoo	716	760
Subtotal Operating Revenue	15,665	18,141
PROTECTING OUR FUTURE		
Wastewater management	2,114	2,363
Stormwater management	11	11
Recycling/refuse collection	1,031	999
Water supply	4,455	5,066
Transport: Road network management	3,948	3,928
Transport: Access Hamilton	411	799
Endowment and investment property portfolio management	5,083	5,096
Subtotal Operating Revenue	17,053	18,262
Total Operating Revenue	39,809	43,537

NET COST

ALL FIGURES IN \$000s	LTCCP 2007/08 \$000	Annual Plan 2007/08 \$000
INVESTING IN OUR PEOPLE		
Community development	2,801	2,771
Community facilities	3,046	2,861
Emergency management	483	515
Partnership with maori	273	265
Representation and civic affairs	5,455	5,837
Environmental health	1,057	1,043
Parks and gardens	11,848	12,152
Sports areas	2,942	3,081
Swimming facilities	3,859	3,830
Subtotal Net Cost of Service	31,764	32,355
CREATING IDENTITY AND PROSPERITY		
Environmental services	(37)	(231)
Economic development	1,069	1,018
City promotion	1,827	1,830
Hamilton city theatres	2,018	2,162
Hamilton city libraries	6,736	6,770
Waikato museum of art and history	4,313	4,531
Event facilities	5,112	5,270
Hamilton zoo	1,985	2,004
Subtotal Net Cost of Service	23,023	23,354
PROTECTING OUR FUTURE		
Wastewater management	11,338	11,691
Stormwater management	6,854	7,598
Recycling/refuse collection	5,757	4,878
Water supply	8,441	8,988
Sustainable environment	695	706
Transport: Road network management	22,604	23,029
Transport: Access Hamilton	3,698	3,995
Endowment and investment property portfolio management	(2,894)	(2,773)
Subtotal Net Cost of Service	56,493	58,112
Total Net Cost of Service	111,280	113,821

RECOVERY RATIOS

	LTCCP 2007/08 \$000	Annual Plan 2007/08 \$000
INVESTING IN OUR PEOPLE		
Community development	12%	10%
Community facilities	47%	49%
Emergency management	41%	38%
Partnership with maori	0%	0%
Representation and civic affairs	3.5%	2.9%
Environmental health	33%	36%
Parks and gardens	6%	6%
Sports areas	4%	4%
Swimming facilities	35%	35%
Subtotal Recovery Ratio	18%	18%
CREATING IDENTITY AND PROSPERITY		
Environmental services	100%	102%
Economic development	0%	0%
City promotion	0%	12%
Hamilton city theatres	34%	32%
Hamilton city libraries	10%	10%
Waikato museum of art and history	10%	8%
Event facilities	39%	38%
Hamilton zoo	27%	27%
Subtotal Recovery Ratio	40%	44%
PROTECTING OUR FUTURE		
Wastewater management	16%	17%
Stormwater management	0%	0%
Recycling/refuse collection	15%	17%
Water supply	35%	36%
Sustainable environment	0%	0%
Transport: Road network management	15%	15%
Transport: Access Hamilton	10%	17%
Endowment and investment property portfolio management	232%	219%
Subtotal Recovery Ratio	23%	24%
Recovery Ratio	26%	28%

8.5 Fees and Charges

The Council has reviewed fees and charges for the 2007/08 financial year. The changes to fees and charges affect the following services:

- Animal Care and Control
- Artspost
- Building Control
- Cemeteries and Crematorium
- Community Halls
- Environmental Health
- Exscite
- Hamilton City Theatres
- Hamilton Gardens
- Hamilton Zoo
- Housing Services
- Museum
- Parks and Gardens Administration
- Planning Guidance
- Sports Areas
- Stormwater and Wastewater Connections
- Swimming Facilities
- Wastewater
- Water Supply

Full details of fees and charges are available on request from the Finance and Administration Unit, 1st Floor, Municipal Offices, Garden Place.

8.6 Sale of Municipal Endowment Investment Properties

Council holds commercial investment properties listed in the table below, which were acquired by Council with funds from the Municipal Endowment Investment Fund to provide revenue for the general purposes of the district of Hamilton City Council. Council may dispose of any individual property listed in the table below at any time to take advantage of market conditions or commercial opportunities as and when they may arise and the proceeds shall be reinvested in the Municipal Endowment Investment Fund. Such disposals shall be effected in accordance with the relevant provisions of the Local Government Act 2002 at current market value based on independent valuation.

Municipal Endowment Investment Fund Properties:

Property Reference	Property Address	Legal Description	Land Area
21100	354 Victoria Street BNZ Building	Lot 2 DPS 80554	4459m ²
21300	455 Te Rapa Road National Bank, Te Rapa	Lot 1 DPS 26345	1465m ²
21400	445 Victoria Street Beggs Wiseman Building	Lot 1 DPS 15240	276m ²
21600	32 Kaimiro Street Steel & Tube Building	Lot 1 DPS 76960	1.46ha

Property Reference	Property Address	Legal Description	Land Area
21700	49 Foreman Road Carter Holt Harvey Building	Lot 2 DPS 88522	1.7ha
21900	378 Avalon Drive Allied Building	Lot 4 DPS 91882	7655m ²
20027	58 Masters Avenue Masters Avenue Shops	Lots 11 & 12 DPS 8656	417m ²

8.7 Sale of Council Owned Land

From time to time Council identifies land that no longer supports its business operations and has become surplus to requirements e.g. properties purchased for roading construction where part of the land is subsequently not required.

Where such land is identified, Council may elect to sell the surplus land with any sale proceeds applied to debt repayment or transferred to reserve.

Any surplus land sales that are deemed to be significant as per Council's Significance Policy, are subject to the requirements of that policy with regards to decision-making and public consultation.

Council plans to sell excess land at Horotiu Landfill (\$450,000) and sell Peachgrove Road Lounge land (\$1.3m). Proceeds from the sale will be applied to debt repayment.