

Council Assets

30 June 2008

Buildings

Ward Halls	10
District Halls	2
Retirement Housing	48
Libraries	2
(Council leases the Waipawa library building, Waipukurau administration service is located at the Waipukurau Library)	
Other Buildings	9
Administration Building	1

Camping Grounds

Camping Grounds	5
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Parks and Recreation

Total Reserves (ha)	202
Parks	26
Changing Facilities	4
Playgrounds	5
Pavilions	4
Swimming Pools	1
Cemeteries	10
Closed Cemeteries	4
War Memorials	6
Public Conveniences	24

Roading

Urban Sealed (km)	66.19
Urban Unsealed (km)	1.16
Rural Sealed (km)	777.35
Rural Unsealed (km)	417.11
Stock Route (km)	6.90
Service Lanes (km)	0.98
Total Length of Roads (km)	1261.81
Bridges	265

Council Assets *continued*

Stormwater (Waipawa and Waipukurau)

Piped Drains (km)	39.392
Total Open Drains (km)	15.594

Waste Management

Landfill Disposal Site (Farm Road)	1
Remaining Years of Operation of Landfill	55 (estimated)
Closed Landfill Sites	8
Transfer Stations	4
Recycling Drop-off Depots	7
Jack Trash Bins	4

Sewerage

Networks	6
Reticulation System (km)	83.118
Properties Connected	3349
Pump Stations	11
Treatment Facilities	6

Water

Bores that Supply Water	12
Water Treatment Plants	7
Water Networks	8
Water Network Pipelines (km)	145.49
Properties Connected to Water Network	3926
Fire Hydrants in Water Network	590

Statement of Maori Contribution to Decision-Making

Maori Consultative Committee

The Council has a Maori Consultative Committee which consists of up to seven representatives of Marae of the District. The term of office of committee members expires at the end of each year in which the triennial local authority elections are held.

The purpose of the Maori Consultative Committee is to provide advice to Council. Over the 2007/2008 year, the Committee provided advice on consultation on more than 18 subdivisions. Johnny Apatu holds the position as Tamatea RMA Consultant to provide more regular advice on subdivision consultation and meet with the Planner on a fortnightly basis.

The selection of members is determined by a process agreed between the Council and the Committee. If the Committee has less than seven members, the Committee shall have the power to co-opt.

The Maori Consultative Committee is an ad-hoc committee of Council and no Councillors are appointed to the Committee. The Council is represented at each meeting by The Mayor in an ex-officio capacity, the Chief Executive and the Regulatory Services Manager. Councillors and other Council Officers attend as needed.

The Committee nominates one member as the representative at every scheduled ordinary, special, and extraordinary meeting of full Council and the Regulatory and Finance and Services Committees. This representative does not vote. During the 2007/2008 year, the committee chairman, Rangi Rupuha has attended most Council and Council Committee meetings.

Maori Wards

The Local Electoral Act 2001 gives Council the ability to establish separate wards for Maori electors. Council is required to review its representation arrangements at least once every six years. This review must include deciding whether or not to have separate wards for electors on the Maori roll.

The formula to establish the number of Maori seats is governed by population. Based on the population of this district it may be possible that one Maori seat could be established.

Council conducted a representation review in 2006. Council was advised by the Maori Consultative Committee to consult with the 10 Marae in the District on the issue of creating a Maori Ward. Copies of information on this subject were sent to the chairs of each of the Marae. No formal response was received and the chairman of the Maori Consultative Committee, Rangi Rupuha, advised that there was no interest in creating a Maori Ward at this time. It was understood that this matter could be revisited at the next review period.

On the basis of this advise Council resolved at its meeting of the 17 November 2005 that "Council does not establish Maori ward/s as provided for in the Local Electoral Act 2001, at this time.

Annual Plan Consultation

As part of its round of public meetings during the Long-Term Council Community Plan/Annual Plan consultative process, the Council invited tangata whenua to attend the public meetings held at Waipawa and Waipukurau on 16 April and 23 April 2008.

Statement of Compliance and Responsibility

Compliance

The Council and management of the Central Hawke's Bay District Council confirm that all the statutory requirements of section 283 of the Local Government Act 2002, which includes the requirement to comply with Part VIIA of the Local Government Act 1974 regarding financial management and borrowing, have been complied with.

Responsibility

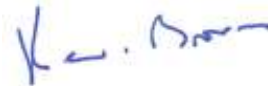
1. The Central Hawke's Bay District Council and its management accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.
2. The Central Hawke's Bay District Council and its management accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
3. In the opinion of the Central Hawke's Bay District Council and its management the annual Financial Statements for the Year ended 30 June 2008 fairly reflect the financial position and operations of Central Hawke's Bay District Council.



Chief Executive
John Freeman
30 October 2008



Mayor
Trish Giddens
30 October 2008



Corporate Services Manager
Kevin Brown
30 October 2008

Statement of Accounting Policies

1. Reporting Entity

Central Hawke's Bay District Council (Council) is a territorial local authority governed by the Local Government Act 2002 and is domiciled in New Zealand.

The Central Hawke's Bay District Council Group (CHBDC) consists of Central Hawke's Bay District Council and its subsidiary — Tamatea Limited (100% owned). Tamatea Limited (Tamatea) was incorporated in New Zealand on 26 October 2006.

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

The financial statements of CHBDC are for the year ended 30 June 2008. These financial statements were authorised for issue by Council on 30th October 2008.

2. Summary of Significant Accounting Policies

2.1 Statement of Compliance and basis of preparation

The financial statements of CHBDC have been prepared in accordance with the Local Government Act 2002, which includes the requirement to comply with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

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

The financial statements are presented in New Zealand Dollars (NZD). The functional currency of CHBDC is New Zealand Dollars.

2.2 Basis of Financial Statement Preparation and Measurement Base

In respect of CHBDC the measurement base adopted is that of historical cost basis modified by the revaluation of certain assets.

2.3 Critical Accounting Estimates and Assumptions

In preparing these financial statements CHBDC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below —

Statement of Accounting Policies *continued*

Landfill aftercare provision

Note 8 presents an analysis of the exposure of CHBDC in relation to the estimates and uncertainties surrounding the landfill aftercare provision.

Infrastructural assets

There are a number of assumptions and estimates used when performing DRC valuations over infrastructural assets. These include:

- the physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modeling assessments of underground assets;
- estimating any obsolescence or surplus capacity of an asset; and
- estimates are made when determining the remaining useful lives over which the asset will be depreciated.

These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then CHBDC could be over or under estimating the annual depreciation charge recognised as an expense in the statement of financial performance. To minimise this risk CHBDC's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the CHBDC's asset management planning activities, which gives CHBDC further assurance over its useful life estimates. Experienced independent valuers assist in performing the Council's infrastructural asset revaluations.

2.4 Investment in Subsidiary:

Council consolidates its investment in its subsidiary - Tamatea — as it has the capacity to control that company's financing and operating policies so as to obtain benefits from the activities of the entity. This exists because Council, as the sole shareholder, controls the voting power of the governing body.

2.5 Basis of consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line by line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

Statement of Accounting Policies *continued*

2.6 Investment in Associate

CHBDC accounts for its investment in Infracon Limited in the group financial statements using the equity method.

An Associate is an entity over which CHBDC has significant influence, and where this entity is neither a subsidiary nor Joint Venture. The investment is initially recognised at cost and the carrying value is increased or decreased to recognise CHBDC's share of the change to the net assets of the associate after the date of acquisition. CHBDC's share of the surplus or deficit is recognised in CHBDC's income statement. Distributions received from the associate reduce the carrying value of the investment.

The investment is tested annually for impairment. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in the income statement. The recoverable amount is the higher of the investment's fair value, less costs to sell and its value in use.

In testing for impairment, CHBDC has made estimates and assumptions concerning the future which may differ from subsequent actual results. Reliance has been placed on the independent audit of Infracon to provide assurance on the carrying value of its assets and the assumption that the company remains a going concern.

2.7 Equity

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

The components of equity are:

- Accumulated funds
- General Reserves
- Trust Funds
- Revaluation Reserves

2.8 Reserves

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

2.8.1 Council-created Reserves

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

Statement of Accounting Policies *continued*

2.8.2 Trust Funds

These are funds received by the Council over time, usually by way of donation or bequest, which restrict the use of the funds. All such funds are separately invested and are not available for any other purposes. The interest earned is credited to the funds.

2.9 Overhead Allocations

The costs of providing support services for the Council are accumulated and then allocated to each significant activity using appropriate allocation bases which reflect usage and/or capacity for each significant activity.

2.10 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Council and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised –

Rates revenue is recognised when payable.

Revenue from the sale of goods and services is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer or the obligation to pay arises. In the case of Licence fees, upon renewal of the licence.

Revenue from services rendered is recognised when invoiced. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of the goods.

Government grants and subsidies are recognised as revenue when entitlement has been established by the grants agency, and are recognised at their fair value.

Dividends are recognised when the shareholder's right to receive payment is established.

Revenue from developer contributions is recognised when it is acknowledged that the liability of payment exists to the Council based on the completion of the subdivision or connection to service.

Vested assets are recognised when the significant risks and rewards of ownership have been transferred to the Council and when the obligation to accept the transfer of the assets to the Council has been determined.

Statement of Accounting Policies *continued*

2.11 Valuation

2.11.1 Current Assets

Accounts receivable are stated at estimated net realisable value, after providing for doubtful and uncollectible debts.

All other current assets are stated at cost.

Cash and Short Term Investments in the balance sheets comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

2.11.2 Financial Assets

Financial Assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through the Income Statement in which case the transaction costs are recognised in the Income Statement

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

CHBDC classifies its financial assets into the following categories- fair value through the Income Statement, loans and receivables and available for sale. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through the Income Statement.

Financial assets at fair value through the Income Statement include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

After initial recognition they are measured at their fair values with gains or losses on remeasurement recognized in the Income Statement.

Loans and receivables

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

Statement of Accounting Policies *continued*

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

After initial recognition these investments are measured at their fair value, with gains and losses recognized directly in equity except for impairment losses, which are recognised in the Income Statement.

On derecognition the cumulative gain or loss previously recognised in equity is recognised in the Income Statement.

Fair value

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. CHBDC uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as discounted expected cash flows, are used to determine fair value for the remaining financial instruments.

Statement of Accounting Policies *continued*

2.11.3 Impairment of financial assets

At each balance sheet date CHBD 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 Income Statement.

Loans and other receivables

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

Impairment of term deposits, local authority, government stock, bonds and notes and related party loans is established when there is objective evidence that the CHBDC will not be able to collect amounts due to the original terms of the instrument. Significant financial difficulties of the issuer, probability the issuer will enter into bankruptcy, and default in payments are considered indicators that the instrument is impaired.

2.11.4 Non Current Assets

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

Any impairment losses for write-downs of non-current assets held for sale are recognised in the Income Statement.

Statement of Accounting Policies *continued*

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.

(a) **Work In Progress:**

Work in progress is treated as a non current asset on the basis that there is a high likelihood that it will be capitalised. This covers work on infrastructural assets, plant, property or equipment that is incomplete at balance date, and excludes borrowing costs.

On completion the total cost of the project is transferred to the relevant asset class and then depreciated.

(b) **Land and Buildings**

Land and Buildings are revalued on a maximum of a three yearly cycle, or more frequently where market evidence reflects that the current values of land and buildings is materially different to their fair value. The valuation uses the depreciated replacement cost method, based on currently accepted valuation methodology.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed to the income statement.

Land under Roads is revalued annually based on the fair value of adjacent land.

(c) **Property, Plant and Equipment (Fixed Assets):**

On acquisition, all fixed assets are initially stated at cost.

Plant and Machinery are stated at historical cost less accumulated depreciation and any impairment in value.

Library Books are valued at historical cost. All subsequent and future additions are recognised at cost. Depreciation is provided over the asset's useful lives.

Statement of Accounting Policies *continued*

(d) Infrastructural Assets:

Infrastructural Assets: water, stormwater, and waste/sewerage are revalued on a three yearly cycle, or more frequently where the value has changed significantly, using the depreciated replacement cost method, based on currently accepted valuation methodology.

The Landfill and Transfer Stations are revalued on a three yearly cycle, using the depreciated replacement cost method.

Roading and its networks are revalued each year using the depreciated replacement cost method.

All subsequent additions to Infrastructural Assets are stated at depreciated cost.

2.12 Depreciation

2.12.1 Property, Plant and Equipment: (Excluding Infrastructural Assets)

Council's fixed assets, with the exception of infrastructural assets and land, are depreciated on a straight line basis at rates, which will write off their cost or value over their estimated useful economic lives. This depreciation charge is reflected in the appropriate cost of service statement.

The expected lives of major fixed asset classes are:

	Years
• Buildings	6 - 165
• Emergency Equip, Misc Plant, Computer Equip, Office Equip	4 - 5
• Office furniture, Library Books	4 - 10
• Land is considered to have an indefinite useful life and is not depreciated	

2.12.2 Infrastructural Assets

(a) Water, Sewerage and Stormwater Assets:

Water, Sewerage and Stormwater Assets are the utility systems, which provide continuing services to the community and are not generally regarded as tradeable.

Depreciation is calculated using useful life of components as provided by Opus International Consultants Asset Valuation Reports and in accordance with the standard NZ Infrastructure Asset Valuation and Depreciation Guidelines (NZIAVDG).

Statement of Accounting Policies *continued*

The expected lives of major fixed asset classes are:

	Years
Water Systems	
• Pipes	40 - 100
• Valves, Hydrants, Meters, Tobies	20 - 60
• Pump Stations	15 - 90
• Reservoirs	60 - 90
Sewerage Systems	
• Pipes	50 - 120
• Manholes	100
• Valves	25 - 40
• Pump Stations	25 - 90
• Treatment Plant	15 - 100
Stormwater Systems	
• Pipes	50 - 125
• Manholes	100
• Open Channels	50
• Service Laterals	80
• Sumps	75

(b) **Roading Assets:**

Roading Assets is the roading network, which provides continuing services to the community and is not generally regarded as tradeable.

Depreciation is calculated using useful life of components as provided by Opus International Consultants Asset Valuation Reports and in accordance with the standard NZ Infrastructure Asset Valuation and Depreciation Guidelines (NZIAVDG).

Statement of Accounting Policies *continued*

(b) Roading Assets:

Roading Assets is the roading network, which provides continuing services to the community and is not generally regarded as tradeable.

Depreciation is calculated using useful life of components as provided by Opus International Consultants Asset Valuation Reports and in accordance with the standard NZ Infrastructure Asset Valuation and Depreciation Guidelines (NZIAVDG).

The expected lives of major fixed asset classes are:

	Years
• Pavement Maintenance - Unsealed	7
• Pavement Maintenance - Sealed	70
• Chip Seals	10
• Area Wide Pavement Treatment	
Surface	10
Base course	70
Sub base	Not depreciated
Wearing Course	7
• Bridges	50
• Traffic – pavement marking	1
• Traffic – signs	15
• Footpaths	50-70

(c) Landfill and Transfer Stations

The Landfill and Transfer Stations are the individual facilities which provides continuing services to the community and are not generally regarded as tradable. The expected future lives of the Landfill and Transfer Stations are 50 years

Statement of Accounting Policies *continued*

2.13 Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. Any resulting gain or loss is recognised in the Income Statement.

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

2.14 Loan to Tamatea

This loan arises from the transfer to Tamatea of the shares in Infracon Limited – formerly held directly by Council. The loan is interest free and is on call.

2.15 Goods and Services Tax

These financial statements have been prepared exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

2.16 Employee Entitlements

Long term benefits

Provision is made in respect of the Council's liability for long service leave. Long service leave, has been calculated on a probability basis, which takes into consideration the likelihood that the Council will be obligated to make the payments

Short term benefits

Wages, salaries, and annual leave are measured at nominal values on actual entitlement basis at current rates of pay.

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

2.17 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.

Statement of Accounting Policies *continued*

2.18 Landfill Post-closure Provision

Council as operator of the district landfill has a legal obligation to apply for resource consents when the landfill reaches the end of its operating life. The resource consents will set out the closure requirements and requirements for 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 known changes to legal requirements and technological improvements.

The provision includes all costs associated with landfill post-closure: final cover application and vegetation, fencing off, completing facilities for leachate collection and the monitoring of gas systems, stormwater systems, and vegetation systems. Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits or if they are incurred to enable future economic benefits to be obtained. The capitalised landfill asset is depreciated over the life of the landfill based on the anticipated capacity used.

2.19 Statement of Cash Flows

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Operating activities include cash received from all income sources and record the cash payments made for the supply of goods and services. Agency transactions are not recognised as receipts and payments in the Statement of Cash Flows as they do not represent transactions that Council can control.

Investing activities are those activities relating to the acquisition and disposal of non-current assets. Investing and financing activity transactions have had their respective sources and applications of cash netted off where rollover of financing has occurred and where there have been transfers between Council bank accounts.

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

2.20 Income Tax

The income tax expense recognised in the income statement is the estimated income tax payable in the current year, adjusted for any differences between the estimated and actual income tax payable in prior periods.

The nature of the Council's taxable earnings is such that it does not give rise to deferred tax assets or liabilities.

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

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

Statement of Accounting Policies *continued*

- NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non owner changes separately from transactions with owners. The revised standard gives CHBDC the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with sub totals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). CHBDC intends to adopt this standard for the year ended 30 June 2010, and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.
- NZ IAS 23 Borrowing Costs (revised 2007) replaces NZ IAS 23 Borrowing Costs (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. The revised standard will also require borrowing costs to be considered when revaluing property, plant and equipment to fair value based on depreciated replacement cost. Any necessary adjustments to depreciated replacement cost carrying values will have flow on effects to depreciation expense. CHBDC intends to adopt this standard for the year ending 30 June 2010 and has not yet quantified the potential impact of the new standard.

Income Statement

For the Year Ended 30 June

2007 Council Actual \$'000	2007 Group Actual \$'000		Note	2007/08 Council Annual Plan \$'000	2008 Council Actual \$'000	2008 Group Actual \$'000
Revenue						
11,800	11,800	Rates		12,776	12,892	12,892
466	466	Interest		391	576	576
5,974	5,974	Subsidies		5,446	5,420	5,420
1,462	1,462	Fees and Charges		1,827	1,775	1,775
114	114	Development Contributions		109	284	284
-	163	Dividends		124	163	51
-	-	Sale of Assets		-	123	123
-	244	Share of Associate Earnings		186		13
-	-	Write down in value of Infracon		(28)		-
19,816	20,223	Total Operating Revenue	1	20,831	21,233	21,134
Expenditure						
472	481	Leadership/Governance		506	479	488
119	119	Economic Development		131	111	111
878	878	Planning and Regulatory		1,184	903	903
11,287	11,287	Roading		10,555	11,783	11,783
1,493	1,493	Solid Waste		1,681	1,864	1,864
1,484	1,484	Water		1,931	1,773	1,773
1,262	1,262	Waste Water		1,486	1,587	1,587
350	350	Stormwater		341	329	329
761	761	Parks/Reserves		834	770	770
129	129	Public Conveniences		134	108	108
154	154	Retirement Housing		136	152	152
390	390	Libraries		373	425	425
292	292	Theatres/Halls		369	325	325
121	121	Cemeteries		142	106	106
163	163	Property		227	168	168
Financing Costs						
(107)	(107)	Fair Value adjustment of Public Debt		-	46	46
43	43	Fair Value adjustment on Investments		-	(37)	(37)
19,291	19,300	Total Expenditure	1	20,030	20,892	20,901
525	923	Net Surplus/(Deficit)		801	341	233
-	-	Taxation	11	-	-	-
525	923	Operating Surplus		801	341	233
525	923	Net Surplus/(Deficit)		801	341	233

610	610	Total financing costs			651	651
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Reconciliation of Operating Surplus to Rating Surplus

525	923	Net Surplus/(Deficit)		429	341	233
Less						
-64	-64	Fair Value adjustments to Public Debt/Investments		0	9	9
-390	-390	Interest on Special Funds		-334	-324	-324
-114	-114	Developer Contributions for Infrastructure upgrade		-181	-284	-284
-556	-556	Funding for repayment of Debt not provided for		-633	-656	-656
-	-407	Associate Earnings		-158	0	-
-599	-608	Rating Deficit		-877	-914	-1,022

Movements in Equity

For the Year Ended 30 June

2007 Council Actual \$'000	2007 Group Actual \$'000	Note	2007/08 Council Annual Plan \$'000	2008 Council Actual \$'000	2008 Group Actual \$'000
547,352	547,352		569,532	598,203	598,764
50,326	50,326		12,192	62,532	62,532
-	163		-	-	322
525	923		801	341	233
50,851	51,412		12,993	62,873	63,087
598,203	598,764	9	582,525	661,076	661,851

Balance Sheet

As at 30 June

2007 Council Actual \$'000	2007 Group Actual \$'000		2007/08 Council Note Annual Plan \$'000	2008 Council Actual \$'000	2008 Group Actual \$'000
ASSETS					
Current Assets					
2,021	2,175	Trade and other receivables	2 2,322	2,176	2,227
2,513	2,513	Cash and cash equivalents	3 125	3,696	3,696
91	91	Prepayments	-	97	97
3,983	-	Loan to Tamatea Limited	4 -	4,001	-
90	90	Assets held for sale	5 -	23	23
4,715	4,869	Total Current Assets	2,447	9,993	6,043
Non Current Assets					
4,348	4,348	Investments	4 5,999	4,877	4,877
-	4,390	Shares in Infracon Limited	4 4,435	-	4,725
1	1	Shares in Tamatea Limited	4 -	1	-
597,453	597,453	Property Plant and Equipment	5 584,744	659,636	659,636
605,785	606,192	Total Non Current Assets	595,178	664,514	669,238
610,500	611,061	TOTAL ASSETS	597,625	674,507	675,281
LIABILITIES					
Current Liabilities					
3,454	3,454	Trade and other payables	6 3,208	3,861	3,860
191	191	Employee benefit liabilities	6 -	190	190
352	352	Current Portion of Public Debt	6 1,164	1,778	1,778
3,997	3,997	Total Current Liabilities	4,372	5,829	5,828
Non Current Liabilities					
8,193	8,193	Public Debt	7 10,625	7,495	7,495
107	107	Provision for Landfill Post-closure Costs	8 103	107	107
8,300	8,300	Total Non Current Liabilities	10,728	7,602	7,602
12,297	12,297	TOTAL LIABILITIES	15,100	13,431	13,430
PUBLIC EQUITY					
5,461	5,461	Special Funds	9 6,761	6,284	6,284
192	192	Trust Funds	9 190	181	181
349,318	349,481	Revaluation Reserve of Assets	9 334,323	411,850	412,335
243,232	243,630	Ratepayers' Equity	241,251	242,761	243,051
598,203	598,764		582,525	661,076	661,851
610,500	611,061	TOTAL LIABILITIES & PUBLIC EQUITY	597,625	674,507	675,281

Statement of Cash Flows

For the Year Ended 30 June

2007 Council Actual \$'000	2007 Group Actual \$000	2007/08 Council Note Annual Plan \$'000	2008 Council Actual \$'000	2008 Group Actual \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from				
11,756	11,756	12,776	12,727	12,727
5,974	5,974	5,446	5,440	5,440
466	466	391	647	647
1,461	1,461	1,827	1,694	1,694
114	114	109	284	284
153	153	124	163	51
<u>19,924</u>	<u>19,924</u>	<u>20,673</u>	<u>20,955</u>	<u>20,843</u>
Cash was applied to				
(7,826)	(7,826)	(10,326)	(8,439)	(8,327)
(2,619)	(2,619)	(2,450)	(2,708)	(2,708)
(610)	(610)	(660)	(651)	(651)
<u>(11,055)</u>	<u>(11,055)</u>	<u>(13,436)</u>	<u>(11,798)</u>	<u>(11,686)</u>
8,869	8,869	10 7,237	9,157	9,157
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was applied to				
(7,846)	(7,846)	(10,144)	(8,656)	(8,656)
<u>(7,846)</u>	<u>(7,846)</u>	<u>(10,144)</u>	<u>(8,656)</u>	<u>(8,656)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from				
22	22	2,907	682	682
<u>22</u>	<u>22</u>	<u>2,907</u>	<u>682</u>	<u>682</u>
1,045	1,045	-	1,183	1,183
1,468	1,468	125	2,513	2,513
<u>2,513</u>	<u>2,513</u>	<u>125</u>	<u>3,696</u>	<u>3,696</u>
Represented by				
2,513	2,513	125	3,696	3,696
<u>2,513</u>	<u>2,513</u>	<u>125</u>	<u>3,696</u>	<u>3,696</u>

Notes to Financial Statements

1 Operating Expenses

This note lists items requiring separate disclosure, having not been disclosed on the face of the Income Statement or in other notes.

(a) Pursuant to Section 98 of the Local Government Act 2002, Council incurred the following expenses.

Expenses	2008 Council \$'000	2007 Council \$'000	2008 Group \$'000	2007 Group \$'000
Insurance premiums	161	147	163	150

(b) Pursuant to NZ IAS 1, issued by the New Zealand Institute of Chartered Accountants, Council and the Group incurred the following expenses.

Expenses	2008 Council \$'000	2007 Council \$'000	2008 Group \$'000	2007 Group \$'000
Audit Fees - for statutory services	77	74	82	79
Other fees paid to Auditor	-	-	-	-
Other assurance services provided by the auditor	9	5	9	5
Audit of LTCCP amendments	5	-	5	-
Depreciation (see note 6)	8,543	7,798	8,543	7,798

Other than that disclosed in Notes 14 and 15 of these financial statements, no further settlement payments requiring disclosure under Section 19 of Schedule 10 of the Local Government Act 2002 have been made.

(c) **Budget Variance**

Variances to forecast budgets are explained in the Cost of Service Statements earlier in these financial reports.

(d) **Income**

Income included in the Income Statement includes amounts where the associated expenditure has been or will be capitalised. In the current year \$324,000 of interest income has been credited to Special Funds, and \$284,000 from Developer Contributions will be held to meet future capital upgrades.

2 Trade and other receivables

	2008 Council \$'000	2007 Council \$'000	2008 Group \$'000	2007 Group \$'000
Rates Debtors	737	572	737	572
Transfund NZ Subsidies	835	855	835	855
General Debtors	709	650	709	650
Dividend due	-	-	51	163
Current Account Tamatea Limited	-	9	-	-
	2,281	2,086	2,332	2,240
Less Provision for Impairment of Receivables	(105)	(65)	(105)	(65)
	2,176	2,021	2,227	2,175

Fair value

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

Impairment

CHBDC does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value of future payments if the impact of discounting is material.

These powers allow CHBDC to commence legal proceedings to recover any rates that remain unpaid 4 months after the due date for payment. If payment has not been made within 3 months of the Court's judgement, then CHBDC can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit. The carrying amount of receivables that would otherwise be past due or impaired, whose terms have been renegotiated is \$88,291 (2007 \$127,456).

The status of receivables as at 30 June 2008 and 2007 are detailed below:

	2008 Gross \$'000	2008 Impairment \$'000	2008 Net \$'000	2007 Gross \$'000	2007 Impairment \$'000	2007 Net \$'000
Council						
Not Past Due	1,902	-14	1,888	1,270	-7	1263
Past Due 30-60 days	31	-11	20	19	-1	18
Past Due 61-90 days	3	-	3	-	-	0
Past due 90 -120 days	345	-80	265	267	-57	210
Total	2,281	-105	2,176	1,556	-65	1491
Group						
Not Past Due	1,902	-14	1,888	1,270	-7	1263
Past Due 30-60 days	31	-11	20	19	-1	18
Past Due 61-90 days	3	-	3	-	-	0
Past due 90 -120 days	396	-80	316	267	-57	210
Total	2,332	-105	2,227	1,556	-65	1491

The impairment provision has been calculated based on expected losses for CHBDC's pool of debtors. Expected losses have been determined based on an analysis of CHBDC's losses in previous periods, and review of specific debtors as detailed below:

	Council 2008 \$'000	2007 \$'000	Group 2008 \$'000	2007 \$'000
Individual impairment	105	65	105	65
Collective Impairment	-	-	-	-
Total provision for impairment	105	65	105	65

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors are as follows:

Notes to Financial Statements *continued*

	Council 2008 \$000	2007 \$000	Group 2008 \$000	2007 \$000
Not Past Due	14	7	14	7
Past Due 30-60 days	11	-	11	-
Past Due 61-90 days	-	1	-	1
Past due 90 -120 days	80	57	80	57
Total	105	65	105	65

Movements in the provision for impairment of receivables are as follows:

	Council 2008 \$000	2007 \$000	Group 2008 \$000	2007 \$000
At 1 July	65	67	65	67
Additional provision made during the year	78	2	78	2
Provisions reversed during the year	- 13	-	- 13	-
Receivable written off during the period	- 25	- 4	- 25	- 4
At 30 June	105	65	105	65

CHBDC holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

3 Cash & cash equivalents

	2008 Council \$'000	2008 Group \$'000	2007 Council \$'000	2007 Group \$'000
Cash and Cash Equivalents				
Cash at bank and in hand	317	317	- 6	- 6
Short term deposits maturing 3 months or less from date of acquisition	3,379	3,379	2,519	2,519
Total Cash and Cash Equivalents	3,696	3,696	2,513	2,513

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

The total value of cash and cash equivalents that can only be used for a specified purpose as outlined in the relevant trust deeds is \$181,000 (2007 \$192,000).

4 Investments

	2008 Council \$'000	2008 Group \$'000	2007 Council \$'000	2007 Group \$'000
Other Financial Assets				
Local Authority Stock	199	199	770	770
Telecom Bonds	-	-	497	497
PowerCo	92	92	94	94
Bank Deposits & Notes	500	500	2,295	2,295
Bank Unsecured Notes	4,078	4,078	684	684
	4,869	4,869	4,340	4,340
Shares				
N.Z. Local Government Insurance Corp. Limited	8	8	8	8
	8	8	8	8
Total Term Investments	4,877	4,877	4,348	4,348
Investments in Subsidiaries and Associates				
Investment in Tamatea Limited	1		1	
Investment in Infracon Limited	-	4,725	-	4,390
Total Investments	4,878	9,602	4,349	8,738

Fair Value

The fair value of local authority and bonds/notes is reflected in the above values which are based on current market values.

The unlisted shares in NZ Local Government Insurance Corp have not been valued as participation in the company is to obtain insurance cover rather than as an investment.

In order to improve overall governance, Council transferred its 34% shareholding in Infracon Limited to Tamatea Limited in May 2007. Tamatea is 100% owned by Council and was incorporated to oversee Council's investment in Infracon Limited through a Statement of Intent approved by Council annually. Tamatea has met its requirements in terms of this Statement of Intent. Dividends received from Infracon Limited have been transferred directly to Council - Tamatea therefore acting as a "conduit".

Notes to Financial Statements *continued*

Summarised Financial Information of Infracon Limited	2008 \$'000	2007 \$'000
Assets	30,139	29,144
Liabilities	14,095	12,208
Revenue	43,344	41,163
Surplus	150	1,676
Group Interest	5,454	5,757
Carrying amount at beginning of year	4,390	3,983
Adjustment to carrying value **	-	0
Share of Revaluation Reserve	322	163
Share of Retained Surplus/Deficit	103	244
Carrying amount at end of year	4,815	4,390

Share of Capital expenditure commitments	-	578
Share of Contingent Liabilities	880	728
Aggregate amount of liabilities for which the Council is jointly and severably liable	-	-

** the carrying value of this investment was adjusted to match an offer received for the 34% minority share in the company in April 2006. Following Community consultations, a decision was made not to sell. As Infracon Limited is an unlisted company, there are no published price quotations to determine the fair value of this investment. Based on the Infracon Limited audited financial reports to 30 June 2008, Tamatea's 34% share of Infracon Limited's net equity is \$ 5454k. On this basis - the Board of Tamatea do not believe that there is any impairment to that company's investment in Infracon Limited.

Loan to Tamatea Limited	2008 Council \$'000	2008 Group \$'000	2007 Council \$'000	2007 Group \$'000
The loan represents the value of Council's shareholding in Infracon Limited transfer to Tamatea Limited at cost in October 2007. The loan is interest free and is on call.	4,001	-	3,983	-

5 Property Plant and Equipment - Group and Council

Infrastructural Assets	Water, Sewerage, Stormwater	Roading	Landfill	Total
	\$'000	\$'000	\$'000	\$'000
Opening Book Value 1 July 2007	33,185	541,324	2,578	577,087
Opening Cost 1 July 2007	34,064	541,324	3,158	578,546
Additions	1,166	6,061	39	7,266
Disposals	-	-	-	-
Revaluation*	8,752	44,870	-	53,622
Closing Cost 30 June 2008	43,982	592,255	3,197	639,434
Opening Accum. Deprn.	879	-	580	1,459
Deprn. Expense	958	7,159	74	8,191
Deprn offset in revaln *	- 1,837	- 7,159	-	- 8,996
Closing Accum. Deprn.	-	-	654	654
Closing Book Value 30 June 2008	43,982	592,255	2,543	638,780

Note:

* Roading and its network were revalued as at 30 June 2008 by Mel England, Specialist Infrastructural Asset Management Engineer of Opus International Consultants Limited, using optimised depreciated replacement cost. The total valuation was \$592,255,000

***Utility Assets were revalued at 30 June 2008 by Council Engineering staff. A review of the revaluation was performed by John Vessey of Opus International Consultants Limited, using optimised depreciated replacement cost. The total valuation was \$43,981,217. Some sensitivity testing of this valuation was performed based on Council's understanding of the condition rating of the assets using the NZ Guidelines for Infrastructure Grading Standards, Water Assets. The expected useful lives of assets with a condition rating of Poor or Very Poor were reduced by 75% and 80% respectively and the Depreciated Replacement cost was found to decrease by \$213k (>1% which was considered immaterial). The effect on estimated annual depreciation was \$1,542.

Property, Plant And Equipment Assets	Land	Buildings	Emergency Equipment	Motor Vehicles	Misc Plant	Sub Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Book Value 1 July 2007	11,463	7,798	11	-	161	19,433
Opening Cost 1 July 2007	11,463	7,798	162	-	440	19,863
Reclassifications	-	90	-	-	-	90
Reclassifications	-	- 23	-	-	-	- 23
Additions	179	336	2	131	142	790
Disposals	- 94	-	-	-	-	- 94
Revaluation ***	-	-	-	-	-	-
Closing Cost 30 June 2008	11,548	8,201	164	131	582	20,626
Opening Accum. Deprn.	-	-	151	-	279	430
Reclassifications	-	-	-	-	-	-
Deprn. Expense	-	158	5	11	61	235
Deprn offset in revaln	-	-	-	-	-	-
Closing Accum. Deprn.	-	158	156	11	340	665
Closing Book Value 30 June 2008	11,548	8,043	8	120	242	19,961

Notes to Financial Statements *continued*

Council's Property, Plant And Equipment Assets (continued)	Computer Equipment	Office Furniture & Equipment	Library Books	Sub Total	Total Property Plant & Equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Book Value 1 July 2007	73	126	649	848	21,457
Opening Cost 1 July 2007	390	450	758	1,598	21,461
Reclassifications					90
Reclassifications					- 23
Additions	57	38	80	175	965
Disposals	- 181	- 11		- 192	- 286
Revaluation					-
Closing Cost 30 June 2008	266	477	838	1,581	22,207
Opening Accum. Deprn.	317	324	109	750	1,180
Reclassifications					-
Deprn. Expense	48	20	49	117	352
Deprn on disposals	- 181			- 181	- 181
Deprn offset in revaln					-
Closing Accum. Deprn.	184	344	158	686	1,351
Closing Book Value 30 June 2008	82	133	680	895	20,856

Note:

***Land & Buildings were revalued by Quotable Value (registered valuers) as at 30 June 2007 using fair market valuations. The total valuation was \$19,349,650.

Plant and Machinery are stated at cost less accumulated depreciation

Furniture and Equipment are stated at cost less accumulated depreciation

Library Books are valued by Council staff annually using the depreciated replacement cost method.

Total Property Plant and Equipment	Total Infrastructural Assets	Total Property Plant & Equipment	Total
	\$'000	\$'000	\$'000
Opening Book Value 1 July 2007	577,087	20,281	597,368
Opening Cost 1 July 2007	578,546	21,461	600,007
Reclassifications		90	90
Reclassifications		- 23	- 23
Additions	7,266	965	8,231
Disposals	-	- 286	- 286
Revaluation	53,622	-	53,622
Closing Cost 30 June 2008	639,434	22,207	661,641
Opening Accum. Deprn.	1,459	1,180	2,639
Deprn. Adjustment			-
Deprn. Expense	8,191	352	8,543
Deprn on disposals		- 181	- 181
Deprn offset in Revaln	- 8,996		- 8,996
Closing Accum. Deprn.	654	1,351	2,005
Closing Book Value 30 June 2008	638,780	20,856	659,636
add Work in Progress			-
Total Property Plant and Equipment			659,636

Work in Progress

Description	2008 \$'000	2007 \$'000
Water Supply - Takapau	-	10
Water Supply - Porangahau	-	10
Stormwater - Wpa	-	69
	-	89

The Waipukurau Band Hall has been presented as held for sale as this building is of no further use to Council.

Notes to Financial Statements *continued*

Council's Infrastructural Assets	Water, Sewerage, Stormwater	Roading	Landfill	Total
	\$'000	\$'000	\$'000	\$'000
	Opening Book Value 1 July 2006	32,329	499,395	2,593
Opening Cost 1 July 2006	32,329	499,395	3,100	534,824
Additions	1,735	6,339	58	8,132
Disposals	-	-	-	-
Revaluation*	-	35,590	-	35,590
Closing Cost 30 June 2007	34,064	541,324	3,158	578,546
Opening Accum. Deprn.	-	-	507	507
Deprn. Expense	879	6,539	73	7,491
Deprn offset in revaln *	-	-6,539	-	-6,539
Closing Accum. Deprn.	879	-	580	1,459
Closing Book Value 30 June 2007	33,185	541,324	2,578	577,087

Note:

* Roading and its network were revalued as at 30 June 2007 by Riaz Ul-Islam, Specialist Infrastructural Asset Management Engineer of Opus International Consultants Limited, using optimised depreciated replacement cost. The total valuation was \$541,324,445

**Utility Assets were most recently revalued at 30 June 2006 by B O'Connor, Specialist Infrastructural Asset Manager, of Opus International Consultants Limited, using optimised depreciated replacement cost. The total valuation was \$32,157,289

Property, Plant And Equipment Assets	Land	Buildings	Emergency Equipment	Misc Plant	Sub Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Book Value 1 July 2006	5,105	5,850	22	120	11,097
Opening Cost 1 July 2006	5,105	6,074	162	286	11,627
Reclassifications	-	-90	-	69	-21
Additions	18	303	-	86	407
Disposals	-	-	-	-1	-1
Revaluation ***	6,340	1,511	-	-	7,851
Closing Cost 30 June 2007	11,463	7,798	162	440	19,863
Opening Accum. Deprn.	-	224	140	166	530
Reclassifications	-	-	-	63	63
Deprn. Expense	-	122	11	50	183
Deprn offset in revaln	-	346	-	-	-346
Closing Accum. Deprn.	-	-	151	279	430
Closing Book Value 30 June 2007	11,463	7,798	11	161	19,433

Council's Property, Plant And Equipment Assets (continued)	Computer Equipment	Office Furniture & Equipment	Library Books	Sub Total	Total Property Plant & Equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Book Value 1 July 2006	67	130	623	820	11,917
Opening Cost 1 July 2006	345	491	674	1,510	13,137
Reclassifications	-	-69	-	-69	-90
Additions	45	28	84	157	564
Disposals	-	-	-	-	-1
Revaluation	-	-	-	-	7,851
Closing Cost 30 June 2007	390	450	758	1,598	21,461
Opening Accum. Deprn.	278	361	51	690	1,220
Reclassifications	-	-63	-	-63	-
Deprn. Expense	39	26	58	123	306
Deprn offset in revaln	-	-	-	-	-346
Closing Accum. Deprn.	317	324	109	750	1,180
Closing Book Value 30 June 2007	73	126	649	848	20,281

Note:

***Land & Buildings were revalued by Quotable Value (registered valuers) as at 30 June 2007 using fair market valuations. The total valuation was \$19,349,650.

Plant and Machinery are stated at cost less accumulated depreciation

Furniture and Equipment are stated at cost less accumulated depreciation

Library Books are valued by Council staff annually using the depreciated replacement cost method.

Notes to Financial Statements *continued*

Total Property Plant and Equipment	Total Infrastructural Assets \$'000	Total Property Plant & Equipment \$'000	Total \$'000
Opening Book Value 1 July 2006	534,317	11,917	546,234
Opening Cost 1 July 2006	534,824	13,137	547,961
Reclassifications		- 90	- 90
Additions	8,132	564	8,696
Disposals	-	- 1	-1
Revaluation	35,590	7,851	43,441
Closing Cost 30 June 2007	578,546	21,461	600,007
Opening Accum. Depn.	507	1,220	1,727
Depn. Adjustment			-
Depn. Expense	7,491	306	7,797
Depn offset in Revaln	-6539	- 346	- 6,885
Closing Accum. Depn.	1,459	1,180	2,639
Closing Book Value 30 June 2007	577,087	20,281	597,368
add Work in Progress			89
Total Property Plant and Equipment			<u>597,457</u>

6 Trade and other payables

	2008 Council \$'000	2008 Group \$'000	2007 Council \$'000	2007 Group \$'000
Trade Creditors				
Trade Creditors	3,207	3,207	2,780	2,780
	<u>3,207</u>	<u>3,207</u>	<u>2,780</u>	<u>2,780</u>
Other				
Current Portion Public Debt	1,778	1,778	352	352
Employee benefit liabilities	190	190	191	191
Other Accounts Payable and Accrued Expenses	654	653	674	674
	<u>2,622</u>	<u>2,621</u>	<u>1,217</u>	<u>1,217</u>
Total	<u>5,829</u>	<u>5,828</u>	<u>3,997</u>	<u>3,997</u>

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.
The carrying amounts of borrowings repayable within one year approximate their fair value, as the impact of discounting is not significant

7 Public Debt

	2008 Council \$'000	2008 Group \$'000	2007 Council \$'000	2007 Group \$'000
Public Debt				
Loans as at 1 July	8,545	8,545	8,630	8,630
Fair Value Adjustments	45	45	- 107	- 107
Plus Loans raised during the year	1,043	1,043	30	30
Less Loans repaid during the year	- 360	- 360	- 8	- 8
Less Loans repayable within 12 months	- 1,778	- 1,778	- 352	- 352
Non Current Public Debt	<u>7,495</u>	<u>7,495</u>	<u>8,193</u>	<u>8,193</u>

Interest rates payable are in the range 5.95% to 8.5%. The average interest rate payable is 6.9%.

Public Debt is due for repayment in the following periods :-

	2008	2008	2007	2007
Current	1,778	1,778	352	352
One to Two years	1,916	1,916	1,638	1,638
Three to Five years	2,284	2,284	3,354	3,354
More than Five years	3,295	3,295	3,201	3,201
	<u>9,273</u>	<u>9,273</u>	<u>8,545</u>	<u>8,545</u>

Notes to Financial Statements *continued*

8 Provision for Landfill Decommissioning and Aftercare Cost

	2008 Council \$'000	2008 Group \$'000	2007 Council \$'000	2007 Group \$'000
Opening Balance	107	107	107	107
Effect of Discounting	14	14	14	14
Release of Provision	(14)	(14)	(14)	(14)
Closing balance	107	107	107	107

Central Hawke's Bay District Council gained resource and landuse consents for the District Landfill in 1995. The Landfill opened for operation in July 1996. Council has a responsibility for closure of the Landfill and ongoing maintenance and monitoring after the closure. To determine the financial provision that should be made for the post closure maintenance and monitoring requirements, the Full Cost Accounting Model developed for the Ministry for the Environment has been used. The model predicts the life of the landfill, the cost per tonne of refuse that should be charged to recover the full "whole of life" costs of the landfill, and the funds that should be accumulated yearly to ensure that users now pay for the maintenance of the landfill when it is closed. The Model has some limitations when used for the District Landfill because the model only projects out until 2057. Under the presently expected disposal projections the Landfill is expected to have a longer useful life than this.

Currently, as a result of Council's zero waste strategy, reducing quantities of waste are being introduced into the Landfill which has increased the unit cost per tonne and would give an expected life of 100+ years. As a result, no additions to the decommissioning provision have been made.

However, in order to reduce the unit cost per tonne, Council has agreed to sell Landfill space - predominantly from 2010. The increase in quantity of waste from 7,000 tonnes / annum to 16,000 tonnes / annum from July 2010 would have the following effect -

- * By 2057, 83% of the Landfill airspace will be filled, and 86% of the total Landfill site will be occupied.
- * Conversely, the Landfill as presently planned to be developed should operate until 2066.
- * An aftercare fund of \$1,590,387 (to be inflation adjusted) will need to have been accumulated by 2057.
- * This figure should also be recalculated regularly based on actual tonnages of refuse disposed in the Landfill.
- * This means that a sum of \$34,500 (to be inflation adjusted) will need to be collected each year (after 2010) to accumulate the aftercare fund.

9 Public Equity

(a) Council Special Funds

Special Funds are established by Council resolution restricting how the funds may be used. To show independence from general Ratepayers' Equity, a separate account is maintained for each fund.

	Council Balance 1st July 2007	Council Transfers from R'payers Equity	Council Transfers to R'payers Equity	Council Balance 30 June 2008
	\$'000	\$'000	\$'000	\$'000
Capital Projects Fund	2	123	-9	116
Ruahine Ward Disbursement Fund	431	25		456
Ruataniwha Ward Disbursement Reserve	55	3		58
Aramoana Ward Disbursement Fund	192	12		204
Takapau Ward Seal Extension Reserve	28	2		30
Elections & Byelection Reserve Fund	41	2	-10	33
Retiring Allowances Reserve Fund	12	1		13
Wpa Depot Loan Reserve	9	1		10
Esplanade Reserves Fund	396	24	-8	412
Off Equip Disbursement Reserve	108	7		115
Emerg & Monitoring Disp Reserve	55	4		59
Ruahine Ward Hall Maintenance Reserve	23	1		24
Rural Fire Reserve	47	4		51
Mayors Relief Fund	-			-
Adverse Events Reserve Fund	302	18		320
Catastrophic Events Reserve Fund	1,273	75		1,348
Rates Relief Rebate Fund	94	6		100
Waipawa Sewer Service Renewal Reserve Fund	7			7
Waipawa Water Supply Reserve Fund	56	4		60
Kairakau Water Supply Reserve Fund	11	1		12
Waipukurau Water Reserve Fund	10	2		12
Waipukurau Sewer Reserve Fund	44	3		47
Te Aute Drain Channel Clearing Reserve Fund	17	1	-18	-
Library Donation Reserves	17	18	-6	29
CHB District Pensioner Housing Reserve Fund	38	32		70
Retirement Maturing Debt Fund	1,941	107		2,048
TOTAL SPECIAL FUNDS	5,209	476	-51	5,634

(b) Carryover Funds

Carryover Funds are set up to ensure funding carried from one financial year to another is easily identified.

	Council Balance 1st July 2007	Council Transfers from R'payers Equity	Council Transfers to R'payers Equity	Council Balance 30 June 2008
Admin Reserve Account	90	470	-81	479
Water Services Reserve Account	80	4		84
Recreational Facility Reserve Account	70	4		74
	240	478	-81	637

Notes to Financial Statements *continued*

(c) Other Funds

From time to time Council assists community organisations and holds funds on their behalf.

	Council Balance 1st July 2007	Council Transfers from R'payers Equity \$'000	Council Transfers to R'payers Equity	Council Balance 30 June 2008
	\$'000	\$'000		
Te Aute Koiri Reserve	12	1	-	13
	12	-	-	13

Total of Funds in a, b & c

	Council Balance 1st July 2007	Council Transfers from R'payers Equity \$'000	Council Transfers to R'payers Equity \$'000	Council Balance 30 June 2008
	\$'000	\$'000	\$'000	\$'000
	5,461	955	- 132	6,284

(d) Trust Funds

Trust Funds are set up to account for grants to council with restrictions on their use. They usually consist of donations and bequests.

	Council Balance 1st July 2007	Council Transfers from R'payers Equity \$'000	Council Transfers to R'payers Equity \$'000	Council Balance 30 June 2008
	\$'000	\$'000	\$'000	\$'000
Wpa Building Society Scholarship Trust	107	1		108
Eric Tate Scholarship Trust	72	1		73
Creative NZ Grants unspent	13		-13	0
	192	2	-13	181

(e) Asset Revaluation Reserve Infrastructure

	Water, Stormwater, Sewerage \$'000	Roads \$'000	Total \$'000
Opening Balance 2007	12,375	323,089	335,464
Transfer to Ratepayers Equity			
Revaluation Reserve Change	10,590	52,028	62,618
Transfer from/ (to) Ratepayers Equity			
Closing Balance 2008	22,965	375,117	398,082

Other Property Plant and Equipment

	Land \$'000	Buildings \$'000	Total \$'000
Opening Balance 2007	9,426	4,428	13,854
Disposal of Asset	86	-	- 86
Current Year Revaluation			
Closing Balance 2008	9,340	4,428	13,768

Total Revaluation Reserve

	Council	Group
Opening Balance 2007	349,318	349,481
Transfer from Ratepayers Equity	62,532	62,532
	411,850	412,013
Share of movement of Associates Revaluation Reserve	322	322
	411,850	412,335
Closing Balance 2008	411,850	412,335

10 Reconciliation of Net Surplus on Operations to Net Cash from Operating Activities

	2008 Council \$'000	2008 Group \$'000	2008 Council \$'000	2007 Group \$'000
Operating Surplus/(Deficit) After Taxation	341	233	525	923
	341	233	525	923
Plus/ (less) Non-Cash Items				
Depreciation	8,543	8,543	7,798	7,798
Fair value adjustments to investments/Public Debt	9	9	- 64	- 64
	8,552	8,552	7,734	7,734
Add/(less) Movements in Other Working Capital Items				
Increase/(Decrease) in Accounts Payable	426	444	776	622
Increase/(Decrease) in Provision for Staff Payments	- 1	- 1	39	39
(Increase)/Decrease in Accounts Receivable	- 155	- 52	- 185	- 185
(Increase)/Decrease in Prepayments	- 6	- 6	- 20	- 20
	264	385	610	456
Add/(less) Items Classified as Investing Activity				
Net				
Infracon - Share of income		- 13	-	- 244
Net Cash from Operating Activities	9,157	9,157	8,869	8,869

Notes to Financial Statements *continued*

11 Taxation

	2008 Council \$'000	2008 Group \$'000	2007 Council \$'000	2007 Group \$'000
Net operating surplus/(deficit) before taxation	341	233	525	923
Net Operating Surplus/(Deficit) before Taxation				
Prima Facie Taxation at 33%	113	77	173	305
Adjusted for the tax effect of Permanent Differences:				
Council's non assessable income	- 6,990	- 6,957	- 6,534	- 6,620
Council's non deductible expenses				
Imputation Credit received	- 17	- 17	- 5	- 55
Other non deductible expenses	6,894	6,897	6366	6370
Income Tax Expense	-	-	-	-

12 Related Party Transactions

	2008 Council \$'000	2008 Group \$'000	2007 Council \$'000	2007 Group \$'000
Council, through its 100% ownership of Tamatea Limited, owns 34% of Infracon Ltd. Infracon performed construction work and facilities management for Council				
Charges made to Council by Infracon Ltd	8,267	8,267	8,537	8,537
Charges made by Council to Infracon Ltd	16	16	16	16
Amounts owed to Council by Infracon Ltd	5	5	8	8
Amounts owed by Council to Infracon Ltd	1,143	1,143	1,345	1,345
Dividends receivable by Tamatea Limited from Infracon		51	-	163
During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Council (such as payment of rates purchase of rubbish bags etc)				
During the year Council purchased legal services from McKay Mackie - Waipawa. Councillor Waite is a principal of that firm. Amounts paid were \$451 (for a tax exemption application) (2007 - \$1166 on behalf of Tamatea Limited)				
During the year Council contracted with Watwil Partnership (Councillor Williams) and Hansen Contracting (Councillor Hansen) to provide mowing of Council Reserves. Amounts paid (during the period Councillors Williams and Hansen were elected representatives) - were \$750 (2007 \$2250) and \$900 (2007 \$2700) respectively.				
No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2007 \$ nil)				
Salaries and other short term employee benefits paid to key management, CE and Councillors	735	735	711	711

13 Statement of Commitments

(a)	Non Cancellable Lease Commitment	2008 Council \$'000	2007 Council \$'000
	Less than 1 year	134	167
	1 - 2 years	123	140
	3 - 5 years	162	278
	Over 5 years	2,501	2,530

NOTE:

the amounts included in the annual lease charge for each vehicle includes:

1. The monthly lease payment
 2. The excess mileage charge.
- Repairs, insurance, and other miscellaneous payments are not included.

Buildings

Waipawa Library
Further terms = N/a
Final expiry date = 30 Sept-10
Annual rental = \$24,112 plus GST

Land

Landfill
Rental of \$75k per annum (inflation adjusted) plus a turnover rent of \$5/tonne (also inflation adjusted) for quantities of over 7,000 tonnes in any 12 month period.
Further terms = 10 years
Final expiry date = 28 Nov 45

Takapau Transfer Station

Rent reviews are carried out at 5 yearly intervals from 11 September 1995
Amounts are subject to these reviews.
Further terms = 2 of 10 years
Final expiry date = 11 September 2025
Annual rental = \$1,820 plus GST

Vehicles

Council has entered into operating lease agreements for its vehicle fleet.
The rates are subject to variation dependent on the kilometer usage through the term of the lease.
5 Vehicles are leased, typically for a 36 month period. Annual rental is \$33,000 per annum

Notes to Financial Statements *continued*

14 Remuneration of Chief Executive

The Chief Executive of Council appointed under Section 42 of the Local Government Act 2002, received a salary of \$161k (2007 \$ 157k)

No additional benefits were paid

15 Severance Payments to Staff

During the financial year, \$29k in severance payments were made to a former staff members (2007 - nil)

16 Councillors fees

2007 \$000		2008 \$000
58	T Gilbertson , Mayor P Giddens (elected Mayor October 2007)	35 41
	Councillor's	
29	David Tennent	27
15	Russell Chant	8
24	Patricia Giddens	-
15	Terry Kingston	18
21	Michael Waite	24
15	Rod Hansen	9
15	Mark Williams	9
15	Sally Butler	18
15	Maitland Manning	17
14	Michael Mullins	17
0	Terry Storey	9
0	Hilary Pedersen	9
236	Total cost of remuneration for the Mayor and Councillors	241

No Directors fees are paid from Tamatea Limited

17 Financial Instrument Categories

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

	2008 Council \$'000	2008 Group \$'000	2007 Council \$'000	2007 Group \$'000
<i>Financial Assets</i>				
<i>Fair value through Income Statement</i>				
Local Authority Stock, Telecom Bonds	4,869	4,869	4,348	3,664
<i>Loans and Receivables</i>				
Cash and Cash Deposits	3,696	3,696	2,513	2,513
Debtors and Other Receivables	2,176	2,227	2,021	2,175
<i>Financial Assets available for Sale</i>				
Unlisted Shares	8	8	8	8
<i>Financial Liabilities</i>				
<i>Fair Value through the Income Statement</i>				
Secured Loans	9,273	9,273	8,545	8,545
<i>Financial Liabilities at amortised cost</i>				
Creditors and other payables	4,051	4,051	3,645	3,645
Loan to Tamatea	4,001	-	3,983	-

Acknowledgements

Council acknowledges the contributions made by individuals and organisations both within the district and outside that have helped make Central Hawke's Bay a vibrant and enjoyable place to live.

Summer Reading

Eastern & Central have again generously supported the E.C. READ'N summer reading programmes in our libraries and those throughout the region.

Audit Report



Chartered Accountants

AUDIT REPORT

TO THE READERS OF CENTRAL HAWKES BAY DISTRICT COUNCIL AND GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2008

The Auditor-General is the auditor of Central Hawke's Bay District Council (the District Council) and group. The Auditor-General has appointed me, Marcus Henry, using the staff and resources of Ernst & Young, to carry out an audit on his behalf. The audit covers the District Council's compliance with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report of the District Council and group for the year ended 30 June 2008, including the financial statements.

Unqualified Opinion

In our opinion:

- ▶ The financial statements of the District Council and group on pages 53 to 81:
 - ▶ comply with generally accepted accounting practice in New Zealand; and
 - ▶ fairly reflect :
 - ▶ the District Council and group's financial position as at 30 June 2008; and
 - ▶ the results of their operations and cash flows for the year ended on that date.
- ▶ The service provision information of the District Council and group on pages 10 to 48 fairly reflects the levels of service provision as measured against the intended levels of service provision adopted, as well as the reasons for any significant variances, for the year ended on that date; and
- ▶ The Council has complied with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report (the "other requirements").

The audit was completed on 30 October 2008, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements, performance information and the other requirements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, performance information and the other requirements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements, performance information and the other requirements. We assessed the results of those procedures in forming our opinion.

Audit Report *continued*



Audit procedures generally include:

- ▶ determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- ▶ verifying samples of transactions and account balances;
- ▶ performing analyses to identify anomalies in the reported data;
- ▶ reviewing significant estimates and judgements made by the Council;
- ▶ confirming year-end balances;
- ▶ determining whether accounting policies are appropriate and consistently applied; and
- ▶ determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, performance information and the other requirements.

We evaluated the overall adequacy of the presentation of information in the financial statements, performance information and the other requirements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the District Council and group as at 30 June 2008. They must also fairly reflect the results of their operations and cash flows and the levels of service provision for the year ended on that date. The Council is also responsible for meeting the other requirements of Schedule 10 and including that information in the annual report. The Council's responsibilities arise from Section 98 and Schedule 10 of the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements, performance information and the other requirements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit and in conducting the audit of Long Term Council Community Plan, we have no relationship with or interests in the District Council or its subsidiary.

Marcus Henry
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

Glossary

ANNUAL PLAN

The Annual Plan sets out what Council plans to do in the upcoming year and what this will cost. It is the Council's budget and is done once a year. The Annual Plan process provides an opportunity for you to comment on Council's proposed Plan.

ANNUAL REPORT

The Annual Report is produced every year and records whether or not Council did what it said it would do in the Annual Plan, and explanations of why and why not.

ASSET MANAGEMENT PLANS

Plans that identify Council's assets and their current status, note the maintenance and cost required to look after them and if appropriate what is required to meet new growth/demand/standards.

BALANCE SHEET

Shows what money Council has and what it is owed and what money Council owes. See page 69.

CAPITAL PROJECTS FUND

Council currently has money in an account for the specific purpose of providing substantial funding assistance for the purchase or construction of new recreational, cultural or infrastructural assets anywhere in the district.

CAPITAL VALUE RATES

Calculated on the value of the ratepayers land and improvements (buildings, sheds etc).

COST OF SERVICE STATEMENT

Calculates the cost to the Council for providing services.

COUNCIL ASSETS

Council owned property and possessions that have value.

CULTURAL FACILITIES

These are the libraries, playing fields, parks, reserves, cemeteries, public conveniences, swimming baths, Waipawa Town Hall, Civic Theatre and the Settlers Museum.

CURRENT ASSETS

Assets which can be readily converted to cash, or will be used up during the year. These include cash, stock, debtors, and operational investments.

DECLINE IN SERVICE POTENTIAL (DISP)

A requirement by law to put aside money for the maintenance of infrastructural assets (like water supply pipes) so that they will always be kept in good condition. The amount required is calculated from the Asset Management Plans.

DEPRECIATION

The wearing out, being used up or other loss of an asset.

DRAFT PLANS

Plans that are prepared by Council and then circulated for comment and subject to change before being adopted. For example the Draft Annual Plan and Draft Long Term Financial Strategy.

EXPENDITURE/EXPENSES

Money that either has or is budgeted to be spent.

FUNDING POLICY

Sets out who should pay for Council Activities and how they should pay.

Glossary *continued*

INCOME/REVENUE

Money received.

INCOME STATEMENT

Shows Council's ability to pay its bills from the money that it receives. See page 67.

INFRASTRUCTURAL ASSETS

Assets that provide a service to the community, but are generally not tradable. For example roads, water pipes and sewerage systems.

INTERGENERATIONAL EQUITY

This concept is concerned with spreading the costs and benefits of assets over time. Therefore assets that are used by future generations are also partly paid for by future generations.

LAND VALUE RATES

Calculated on the value of the ratepayers land.

LOCAL AUTHORITY TRADING ENTERPRISE (LATE)

An enterprise that is set up to operate a business for the Council.

LONG TERM FINANCIAL STRATEGY

The Long Term Financial Strategy determines and guides Council's actions over the next 10 years. The purpose of the Strategy is to ensure that Council's services remain affordable and sustainable over time.

MOVEMENT IN EQUITY

Shows how Council's resources are increasing in value over time. See page 68.

POLICY

A course of action or set of parameters adopted by the Council or by management within which decisions can be made and action can be taken.

RESERVES

Council has a number of reserve accounts for specific purposes. The accounts are maintained at a certain level for future spending. The accounts are not funded annually, but have accumulated from money collected from past generations. Examples of these accounts are the Rural Fire Reserve Account and the Catastrophic Events Account.

RESERVE MANAGEMENT PLANS

Reserve Management Plans are required by law for all of the Council's parks and reserves in the District. The Plans which are developed in consultation with the community set out how the reserve should be utilised.

STATEMENT OF CASHFLOWS

The turnover of cash experienced by Council each year. See page 70.

SUBMISSION

A comment, received in writing or verbally about one of Council's Plans. There is a set timeframe for submissions to be received and then considered by Council.

TREASURY POLICY

This policy states when, how and why Council will borrow money.

Glossary *continued*

USER CHARGES

Money that is derived from a direct charge or fee from the person that is using the service/facility. For example, if you need a building consent you pay the amount of money that it costs to provide the consent.

UNIFORM ANNUAL CHARGES

A charge of the same amount to each ratepayer regardless of the value of the property. For example each rateable property in the district could pay a uniform annual charge of \$6 to cover the provision of libraries.